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OF THE

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DECEMBER 28-31, 1908

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THE MAKING OF ECONOMIC LITERATURE.

ANNUAL ADDRESS OF THE PRESIDENT
SIMON N. PATTEN.

It is difficult to realize the change that has been wrought by economists since this association was founded. So popular has economic thinking become, so prominent is its position in all colleges and universities, so numerous are the books, articles, and journals devoted to its discussion, that it seems a natural state of affairs that must always have existed. And yet all this is the work of a group of enthusiasts, meeting at Saratoga twenty-three years ago without a single book to their credit, without journal to voice their views, and without university position to give them support. Today economics is in everyone's thought and on everyone's lips. We do not lack students; we do not lack organs or audience; nor do we lack zeal for the further prosecution of the work already begun. So much we can fairly claim, and all honor to those who have taken part in the work. If this were our only goal we might be proudly satisfied with our record and pass on the Association to our successors with a consciousness of a life's work well done.

There is, however, no great American problem that has been solved. With every vital question we stand on a half-way ground, halting between the old and the new, and if these half truths are all we have to offer we may harm the public more than we aid them. Confusion and defeat stare us in the face politically, morally, and economically, if the disappearance of old customs, traditions, and modes of thought is not followed by the rise of new

concepts, ideals, and institutions. We cannot afford to be mere iconoclasts. We must lay the foundation of a new civilization and show how economic forces will remedy evils that may soon be unbearable. We have thus a problem—a difficult problem—to master. Are we mastering it or merely drifting with the tide?

If it is hard to divide the centuries into epochs, it is still more difficult to distinguish between parts of a period of twenty years, and yet there is enough difference between the first and second halves of this period to give them a distinct character. The best method of illustrating this difference is to examine the change in our periodical literature. Twenty years ago the dominant element was thought and theory, while at present description and illustration have the first place. The theoretic discussions we now have are by persons who earned their reputations in the first epoch. The younger generations of economists have evidently been turned in other directions. The same tendencies are manifest in doctors' theses. I recall many young men who gained standing by an essay of not more than thirty pages. They won recognition by clear thought and a sharply defined thesis. Today they launch forth in a three hundred page pamphlet that tires the reader with its massive collection of facts; and the making of books is going the same road. No one seems willing to stop short of the German standard by which prestige is gained through bulky volumes that fill yards of library shelves.

The young doctor with a three hundred page pamphlet to his credit has worked harder than his predecessor, but he has pushed forward neither the science nor the nation. The writers in journals state the current problems of the economic world with great clearness, but they leave us muddled as to their solution. And book-making has

become an art of collection and restatement that substitutes clippings and card catalogues for clear thought. Once when I complained to a fellow writer of the difficulties of book-making he volunteered to show me his method, which was to employ a clipping bureau to send him extracts from papers and periodicals falling under each of the heads of his book. When he wrote a chapter he read over these clippings and thus the book came into being almost of itself. Another writer took a shorthand reporter with him when he interviewed people familiar with a selected topic and from this material created an acceptable book. A more familiar illustration is that of college debaters. A series of questions is a drag-net that will bring in the best of the current thought and the questioner can be reasonably sure to get what he wants with little work on his part.

There are writers whose work deserves commendation, and yet the art of popularizing is so prominent that the fuller view of the earlier epoch is lost sight of in the struggle for immediate results. A theoretic writer can no longer gain through his work the commanding place that would have been given him even a dozen years ago. Not only has he in this way lost prestige, but his work is more impersonal than it was, so much more so in fact that he scarcely ever derives personal advantage from it. The popular speaker and writer are quoted everywhere, and thus gain a name on which position and income depend. The theorist, however, finds few readers, and his contrasts when fresh and striking are appropriated by popular writers without credit. A man who worked for years on an important topic finally brought out a book that set off his thought by a brilliant contrast that really contained its essence. When this was first used by an editorial writer he gave full credit. Soon editorials by

the score appeared in other papers which gave the new thought and expounded it by means of the new contrast, but no credit was given to its author. These writers had apparently read the first editorial, but not the book, and cared more for making an impression than for justice.

In one way the author should be greatly pleased, since the end for which he worked was so easily attained. But in so far as a personal element was a motive, he gained less than if he had been the author of one of the editorials based on his book. Books now drop out of sight in a few months; often they are dead before the reviews of them begin to appear. But their contrasts and telling phrases live on and are pushed over into the popular consciousness in a thousand indirect ways that make them effective and often as immortal as they are impersonal. Today the popularizer is so close on the track of the thinker that his book is made a part of literature before it is dry from the press. To think clearly is to be altruistic. Honors and rewards come only to those who by pen or speech pass along to the public the books and essays it will not read. And the professor, like the writer and speaker, gets his promotions by what he appropriates. Economists are not free from tendencies that dominate elsewhere. And hence it is that each year we pay less attention to clear thought and more to its expression.

Such considerations warn us of the difficulties economists must meet, and also give the clue as to the line of real progress. An economist cannot hope to succeed either in gaining personal renown or in influencing the public by book-making or essay writing; the only part of his work that lives on is his charts, diagrams, and contrasts. To say this is probably to shock and possibly to give offense. Most of us have an ambition to write some day a ponderous volume, and if we lack confidence in our

ability to do this we at least hope some of our contemporaries will do it for us. "Oh for an Adam Smith or a John Stuart Mill to do for our age what they did for their own." We all feel this and long for its realization, and yet those who try fail, not from lack of ability, but because they are trying an impossible task and are moved by a false ideal. The first volume of such a treatise has occasionally been written, but the repeated postponement of the completing parts reveal obstacles that even the ablest men are unable to surmount. The trouble is that the author exhausts his contrasts, diagrams, and charts in his first volume and has nothing left for subsequent volumes except hazy generalizations, dull descriptions, and utopian dreams. In contrast to this ideal of bulky volumes and complete discussion I hold that the better the economist the clearer, shorter, and more precise are his utterances. The essence of economic literature lies in its contrasts. A book is merely the trail along which its author has gone in his search for clear expression and sharp analysis. This is of great importance to the author, but of little consequence to the reader. In no place can this be more clearly seen than in the *Wealth of Nations*. Who would go to Adam Smith for his material? And yet there are hundreds of pages of it badly arranged and poorly presented. The book would have gone to the trash pile as soon as printed if this were all there was in it. The real gems in the book are its fresh contrasts. The very possibility of a scientific political economy depended on the contrast of sympathy with self-interest and the form that the economics of the next century was to take was fixed by the contrast of land, labor, and capital in production, and of rent, interest, and wages in distribution. From these contrasts no one has broken, but they all might have been stated on a single page or put in

telling diagram. The five hundred pages of reading matter which it took Smith ten years to collect and to write is of value to the student of his development, but is of no consequence to those who after him take up the task of creating economic literature. Malthus and Ricardo were likewise successful in their contrasts, but failed in their attempts at book-making. The successful writers of to-day show this fact even more tellingly. What could have been more important and effective than the contrast between present and future goods, and where is there more of a failure than the book in which this gem is imbedded? And if one may without offense pass a judgment on our greatest living economist, I will say that I have pitied him for the pressure of false ideals which made him spend years to write a volume of many hundred pages to express contrasts that could have been more forcefully put in a twenty page pamphlet. No one can write a four hundred page book that will stand. Telling contrasts get an immortality that is denied books, and the more concise the expression the longer the life and the greater the influence. The phrase "economic interpretation of history" is worth more than all the books that seek to expound it. The force of socialism lies in three phrases, "class struggle", "exploitation", and "surplus value". No one who has mastered these concepts need study Marx's diffuse and obscure argumentation. Giddings' *Sociology* may be divided into two parts, the book and the phrase "consciousness of kind"; and the phrase will outlive the book. Our concept of the problems of population has been radically altered by the phrase "race suicide". Many volumes as erudite as Malthus's *Principle of Population* could not have had the influence it has had nor thrown so much light on the problems and tendencies of our age. So, too, *The Abolition of Poverty* gives us a

thought that volumes of description could not express, for with one stroke it separates poverty from the moral background with which it has been associated and shows it to be an evil for which society is responsible. Poverty is changed from individual depravity to maladjustment, and with this new viewpoint a world is opened up for enthusiasm and sympathy to conquer. Hobbes's "state of war", Rousseau's "natural man", Ricardo's "cost prices", Spencer's "survival of the fittest" are vivid illustrations of the fact that phrases are more important than volumes and have an immortality that no scientific book can gain. Only when we recognize this principle can we see the tremendous waste of time and energy that book-making has imposed on the scientific world. No group of scientists has suffered more from this error than the economists. We have had the misfortune of having our origin in the undifferentiated field from which has also come the moralist, the political scientist, and the historian. As our traditions come from them they give to our literature a form not fitting to its content. The moralist and political scientist naturally cultivate fluency because their contact with the public is mainly through spoken words. The historian cultivates elegance and can hardly get started before the third volume, and the sociologist is quite as bad a model because he starts with Adam and seldom gets beyond Moses.

In such company the economist seems to be a hybrid product of book worms and hair splitters. In contrast with them his instincts should be that of a bookkeeper and a cartoonist. He should be orderly, not fluent, clear and concise, not diffuse or ornate. He should cultivate visual expression by using charts and diagrams and arouse the imagination by striking phrases and vivid contrasts. His vehicle should be the newspaper and the mag-

azine, not the scientific journal. The public want what we have, and if we have something it does not want it is not worth having. To be scientific is to be popular. There is no renown worth having but that of the newspaper and the magazine and the class room. To fail of appreciation in these quarters is a confession of defects that prove a man's unfitness. Such a student should go from us to fields less closely attached to the present, where other tests than the power of expression suffice to give men standing and repute. There can be no economic literature apart from general literature. We give the content to which others give the form. To separate ourselves from the general literary movements of the age is to deprive ourselves of influence and literature of a content. Other writers must be our spokesmen; we must be their guide and inspiration. The place of the economist is on the firing line of civilization; his product must be clear, concise and impersonal, instead of being submerged in bulky volumes and formal treatises. Our real affinity is with the journalist, the magazine writer, and the dramatist, and not with writers who, separated by time and space from what they describe, function as critics of persons and events instead of being actors in the momentous struggles of the present.

I remember the satisfaction I once had when a fellow economist said "the library is our laboratory". I then thought that our sources are the accumulated records of past epochs and that what the past tells about the present is of more value than what the present tells of itself. If, however, the current economic events are of more importance than the defective records of the past piled on library shelves, an economist has no business to be in a library nor to send his students there except as it contains and classifies current literature. He has less use for a card catalogue of musty books than for one of events, edi-

torials, and articles of the passing year. We need fresh observations, not fine arguments; we need clear contrasts, not the accumulation, arrangement, and restatement of antiquated obsolete data. No fact is valuable to the economist unless it is also valuable to the journalist who summarizes events, the editor who comments on them, and the reformer who uses them. No argument is good in a book or in a classroom unless it would convince the million readers of a daily paper and could find place in the campaign book of a political party. The book goes nowhere unless it goes to the reader of papers and magazines. Thought is no longer in isolated compartments affecting only particular persons or classes. Its waves are like effects of a pebble thrown into the ocean. If it moves the particles it hits, it moves every other particle, no matter how distant. If we move our students we move the world. If we fail to move the world we deceive ourselves if we think our students have been moved by the specialized knowledge we hurl at them. There is but one real world, and whoever would exert an influence must be in it. Let the historian, the sociologist, and the student of literature have the library and all the gems they rescue from its dark corners. Economists should work in the open and get their inspiration from the struggle and evolution which passing events reveal; for where change is there should also the economist be.

So long as economic scholarship is associated with library research we may expect theses to continue as a test of economic proficiency. Secondhand data and antiquated material thus get a place they do not deserve. The student is turned away from real life and often acquires a prejudice against it. A three hundred page thesis not only does not fit a man to be an economist: it really incapacitates him for work. The failure of young teach-

ers is mainly due to the overspecialization that thesis writing invites. It takes years of hard knocks to realize that the facts of theses and books are not good material for the class room. Library economics is a vice that hampers the growth of the science more than the hairsplitting logic of would-be reformers. We must some time learn that real investigations cannot be carried on in libraries no matter how complete they may be. We must also learn that individual investigators, no matter how well directed, seldom add new facts to our fund of knowledge. The range of social investigations is so great that only large institutions like the Bureau of Municipal Research, the Russell Sage Foundation, or the national government can really do effective work. Under these conditions a thesis is a waste of time and a misapplication of energy. It merely adds a new statement of old facts to a market already overstocked. The young economist should be drilled in effective presentation, not in fact accumulation. His home should not be in the library, but in the class room, and when sufficiently proficient to investigate, he should be loaned by the university to the government, to local committees, or to institutions capable of handling social problems on a scale that commands success. The university should furnish investigators, but should not become a mill for turning out small scale investigations that excite ridicule instead of respect. If it encourages book-making innumerable volumes appear that merely rearrange old material and give a personal touch to old arguments and viewpoints. Give men two dollars a page for writing articles and a journal will have the same facts presented different ways in each of its volumes. We want, however, net results, not the gross product. Measured in this way, our books and journals make a pitiable showing. And this will continue as long as universities encourage

book-making and economic journals pay for articles and reviews. If these props to misspent efforts were removed, the number of books, articles, and reviews would be reduced to their normal proportion.

A scientific writer should have no other reward than what comes from a love of work. The test of his growth in thought is the reduction of the space he uses to present it. It is hard to tell which is the worse evil: to have a scientific writer expand an essay into a huge book or for a popular writer to collect his essays and articles into a similar volume in the hope of passing them off as a scientific product. Both evils confuse and annoy and can be removed only by concerted action following a clearer recognition of the function of economic literature in modern life.

A publisher to whom I offered a book said that it would give me a reputation, but there would be no sales. I have pondered on that remark many times. Is the reputation that comes from a book having no sale a real reputation? And is not—and this question I ask in all seriousness and with much hesitation—is not a reputation that you or I acquire through books published by our universities or the periodicals they support a fake reputation—that it is not honorable for us to have? If there was no real world and no large audience seeking increased light on current problems, we might be justified in accepting such support and pride ourselves in the luster it gives. But when real tests of success are at hand, false ideals prevent the application of tests that would sift the chaff from the wheat. For Jones to write for Smith and Smith for Jones—or for both of them to write large books to enable them to pose before college presidents, boards of trustees, and admiring groups of friends makes a farce of economics and prevents its advance. So long as we are useless pampered

creations of false university ideals our books and pamphlets are of no more consequence than we are when wearing caps and gowns in a university parade. A bit of color, an impressive picture, perhaps, for parents and friends to look at when they come to see their sons graduate, but something soon to be forgotten except as a part of a pleasing memory.

In reality our books are of less consequence than caps and gowns, and I doubt not that universities would profit if they used the money now spent in printing useless books and journals in giving more color and grace to public anniversaries. So few of the public go to libraries or read reviews of pompous volumes, that self-advertisement in these ways must bring a meager return. And why shall false investment of time and energy be demanded when a real public is at hand craving for information and inspiration. Surely economists have little reason to accept false standards when real tests are so plainly visible. Ten articles written for special journals should not give the reputation that comes from having one accepted by any reputable magazine that makes effective presentation a test of acceptance.

To outline a program for the reform of economic studies is too large a task for a presidential address, yet some of its principles are so evident that the address would lose point without them. We have consciously tried to create graduate schools of economics and have failed, yet our work has in an unplanned blundering way passed over into the undergraduate world and succeeded. The reason for this is that with undergraduates we have been forced to cultivate clearness of thought and have thus found a fitting field for our activities. Reform in the graduate schools means a like transformation. They must be changed from schools of acquisition to schools of ex-

pression. The ideal graduate school is a school of journalism just as the ideal undergraduate school is one fitting men for business. We shall never make a graduate school of business, try as we may, but we can create a school of economic expression that trains men for teaching, magazine writing, and journalism. A good debater is a better economist than a writer of theses, and to have won an intercollegiate debate should count more than library work. Every economist should seek for journalistic experience and have his standing measured by his success. No economist is an economist until he has said to himself, "I wish I were an editor."

If this be true the complement for graduate economics is not history, politics, and sociology, but literature and law. We should be grouped with other social sciences when teaching undergraduates, but we should sharply isolate ourselves from them in graduate work. Our fundamental needs are for the power of expression and the spirit of legality. Economists are by education and tradition revolutionists. The Lord made the world in seven days; we want to remake it in one. So we join hands with anarchists, socialists, and other advocates of violent change, and cry ourselves hoarse in advancing their measures. Economics is like a South American republic; no one is satisfied unless there is a revolution once a decade. Law, however, is the one social science that has advanced solely by evolution, and we have much to gain by acquiring its spirit. And law would gain equally by an alliance with us; for the socializing of law is the most important and pressing need of the American people. Legal encrustments of social traditions are the worst foe of progress. Law can be made mobile only by the proper appreciation of economic change; economics can be saved from a series of revolutions only by the spirit of law. When these two

sciences are properly blended evolution will be constant and progress orderly.

Comrades, are you satisfied? Do you point with pride to what you have done or do you look ahead for new fields to enter? We can all, it is true, report an increase of students, more enthusiasm, better results. But are these worthy objects the goal of economics? To me only two ends seem prominent enough to deserve approbation: the redemption of the college and the control of public opinion. The one end we can attain through the superiority of our class instruction; the other we can acquire indirectly by giving clearer ideals and better programs to those who direct public affairs. We now have the place in education that Greek formerly had, and upon us therefore depend the perpetuation of the college and the ennobling of its aims. We must socialize it by making sympathy, coöperation, and generosity its dominant ideals. What we do for the college our allies can do for the nation. First the economist, then the journalist, and finally the legislator; this is the order of progress and the key to success. The world is ours if we enter it by the right door.

ECONOMIC LITERATURE—DISCUSSION.

J. E. HAGERTY: I agree with the President in much that is stated in the paper, and find that our chief differences consist in what appears to me to be an over-statement of facts.

If economics is a science, its methods should differ in no important particulars from those of other sciences. As a science its data is in the business world, and this data must be procured, classified, and properly appraised. This should be the first step. The great difficulty with the economic theory of the past is that it was founded chiefly on impressions. If economics is to progress beyond the initial stages of science, it must be based on a completer knowledge of the business world,—that is, business practices, the mechanism of business, and the evolution of modern business.

How is this knowledge to be obtained? I agree with Professor Patten that it is not to be obtained from the library, culling out facts from musty volumes frequently written by men who had an inadequate idea of the industrial institutions they were describing. This knowledge must be obtained in the business world, and very largely at first hand. The men who occupy the various business positions possess the knowledge which we must know and on which we must reason.

Some students in the Bureau of Social Research, New York City, are investigating the agencies organized to sell food products to the people of New York, with the purpose of learning the influence of these institutions on prices. This data can be obtained only in the open field by studying the market conditions at every point from the

producer to the consumer. It is only by getting an exact knowledge of the various selling agencies, and of the foods disposed of, that they will know whether high prices are a result of clumsy methods of distribution or not. When the results are obtained it ought not to be necessary to fill a ponderous volume in describing the institutions and in drawing conclusions.

In discussing phenomena the cumbrous monograph, which not even the economist reads unless a special interest compels him to do so, has been overworked. Concise description and clear-cut conclusions will preserve the data and exert a permanent influence. But I do not see how we are going to escape the necessity of thorough investigations in every department of business activity. In their times Adam Smith and J. S. Mill had simpler tasks to perform than we have today. No detailed studies were necessary when Smith wrote. The industrial organization was simple then, and the facts of business were well known. The business world today has attained a degree of complexity undreamed of even in Mill's time, and this change in organization has made necessary a change in methods of study.

I believe with the writer of the paper that the value of the science is in direct proportion to its influence on progress. We should move the world, but we should not be too much concerned with the process of the moving. The economist should be on the firing line of civilization, but instead of firing he should furnish the ammunition.

The science has been discredited in this country at times owing to its direct connection with governmental policy. The teaching of the doctrine of free trade had much to do with the prejudice against it over twenty years ago. We seem to have emphasized studies from decade to decade in conformity with the national interest of the times, and

the science was popular or unpopular as public opinion approved or disapproved of the teachings of the economists. The solution of problems on purely theoretical grounds does not meet with popular favor. The real work and sphere of the economist in influencing public policy directly can be illustrated in the present agitation for tariff revision. If it be admitted that some tariff is necessary in our national policy, it must be obvious that the present methods of tariff revision will fail. The tariff, instead of being lowered, will undoubtedly be raised. If the theory of adjusting the tariff to the differences in cost of production here and abroad is carried out, the absurdity of the present method must be apparent. With the complexity of our tariff schedules there is needed a commission to make an exhaustive study of factors in cost of production and the various conditions of production in different countries. The members of this commission must be economists or have training in economics. It is not necessary that they should frame the tariff law, but they can state the conditions according to which the tariff must be constructed.

I cannot agree with the President that a good debater is a better economist than a writer of theses. Good debaters are clear, and strong in the power of expression; but they are too biased to be scientific and too narrow to be accurate. A man with the debater's instincts is too positive, too lop-sided, and too anxious to prove one side of a case. As a matter of fact, a debater has to be unmade before anything can be done with him scientifically.

A man with the instincts of the newspaper man and cartoonist is as hopeless as the debater, though for a different reason. He is too much interested in the sensational to give truth its proper setting. Unimportant things that lend themselves to vivid description are

pushed into the foreground and essentials are ignored. Power of presentation and a desire to reach the masses are qualities that would ruin any scientific investigator.

The chief message of President Patten to the Association, as I interpret it, is that economic investigation should be along lines most demanded by public policy; and the results of the investigations should be in such a form as will make them immediately available to the public at large.

On these points Professor Patten is fundamentally right.

F. B. HAWLEY: Professor Patten holds, if I understand him correctly, that there is something lacking to a science, such as political economy, that cannot or has not condensed its teachings into striking phrases or catch-words, as it is only by so doing that an influence in practical matters can be obtained. He, although perhaps the most subtle thinker we have, seems in this address at least to condemn subtlety and to insist that economic truth should be stated only in broad outlines and condensed forms, should be distilled, as it were, into pregnant phrases, capable of inevitably suggesting all or most of their connotations. What he suggests is less theory and more practical application.

Now it seems to me that clear thinking can be trusted to crystalize itself, and that any attempt to force the process can only result in our getting imperfect and muddy crystals,—or, in other words, in misleading phrases and catch-words, which will do twofold more harm than good. The remedy, it seems to me, is not less theory, but more and better theory.

In a recent work I have ventured to assert that the reason for the state of things Professor Patten laments is to

be found in the fact that there is no consensus of the competent as to the exact scope of the science or as to the exact content of its fundamental terms. That this consensus does not exist, none of you will seriously dispute, but I fear few recognize the necessity of obtaining it before the crystallization of economic truth into terse and popular phrases should be attempted.

To illustrate my meaning I will call your attention to the prevalent use, or rather uses, of the term capital,—namely, as “capital goods” and as the “value of capital goods”. Now, firstly, is it possible to think clearly when a fundamental term is given two distinct meanings? Can such a term really have two significations? I, at least, think it is impossible. Secondly, capital is universally treated as a productive factor. Is it really such? Economics is a moral science, concerned, that is, wholly with voluntary human actions. It must inquire not what capital does, but what the capitalist does. It is the capitalist who is an economic factor and not his capital. This seems, to me at least, so self-evident a truth as to be proven in the mere statement. And yet so far as I am aware, no one, until I attempted it in my recent book, has sought the definition of capital by inquiring into what it is that the capitalist “as such” does. There can be but one answer to such an inquiry when made,—namely, that he refrains from the exercise of such purchasing power as he possesses, and lends the power either to others or to himself for a specific time and for a stipulated reward, which is interest alone when he is absolutely secured as to repayment, or interest and a premium of insurance when he incurs some risk of not being repaid. Now “as such” the capitalist never has any “capital good” in his possession. He has absolutely nothing at all to do with “capital goods”, nor has he any interest at all in the value of any

specific capital goods. All the capitalist "as such" can possess is an abstract and unspecified power to purchase. The moment he as an individual invests this purchasing power, he advances beyond the bounds of his distinct function as a capitalist and becomes a capitalist entrepreneur. The man who lends can indeed be said to invest in a claim, but all he really does is to make specific the general and unspecified claim he already possessed. The moment he invests in capital goods, or restricts his claim to the value of specific capital goods, he exercises an additional function entirely different and distinct, namely, the assumption of responsibility.

Now the indisputable fact that investment in capital goods or in their specific value is an action that the capitalist "as such" cannot possibly perform, becomes so plain on a little reflection that I am sure of your ultimate assent. Indeed, that it is the entrepreneur who invests the capital he borrows of the capitalist is so self-evident that it has always been assumed as a matter of course. And yet, illogical as it really is, it has hitherto been assumed equally as a matter of course that these same investments were also made by the capitalist. The absurdity of supposing that there can be two investors in the same investment has been strangely overlooked.

Now the monumental work of Böhm-Bawerk and the treatment of capital and interest by our own Professor Fisher are both founded on the assumption that investment is an action of the capitalist "as such", the inevitable consequence of which is an inexplicable and bewildering confusion of interest and profit. The results aimed at by both authors must be seriously modified if, as I claim, investment is an action only possible to the entrepreneur "as such". And until such results are so modified, how is it possible to condense these results into phrases both

trenchant and true, and that will offer the results of economic theory to popular conception in the form of pre-digested tablets? Must we not be more certain of what we have to teach before it is safe to embalm our teaching in popular phraseology and catch-words? Must we not first settle absolutely the fundamental terms and scope of our science before attempting to pose as the arbiters of practical application of economic principles?

The scope and definition of the science itself are by no means yet settled. Shold we venture upon dogmatic statements before we are exactly sure what we are talking about? And is it probable that we can arrive at particular definitions of fundamental terms before the science itself is positively defined? And will not these fundamental terms define themselves when the exact scope of economic inquiry is positively determined? Is it possible to coin lucid and striking phrases, comprehensible by the man in the street, that embody true and exact economic principles, so long as we ourselves are dubious about the ultimate premises upon which all our deductions are based?

T. N. CARVER: We all doubtless agree with Professor Patten, at least to the extent of saying that if economists can popularize their style without sacrificing scientific accuracy and thoroughness it would be a great gain. I am somewhat disturbed, however, by the remarks of one speaker regarding the low estimation in which economics and economists are held. I have not noticed that myself. I think that if any great business man were to tell me that he regarded economics merely as a field for the exercise of the intellectual proletariat, I should at once ask, at least to myself,—What particular form of corruption are you engaged in now? If the scientific study of econom-

ics is in such low estimation among the business and political interests of Pennsylvania as the speaker seemed to imply, it speaks volumes regarding the political and business corruption in Pennsylvania.

SCOTT NEARING: The point that Dr. Patten makes regarding the influence that an economist should exert over the public is an important one, and we can well test it by the effect which our instruction has upon our classes. We are in direct contact with the students every day, and our effectiveness as influencers of public opinion can be tested at that point as nowhere else.

What do the students in the average class of economics think of the subject? It is my opinion that they regard it as a dry, uninteresting subject which has no possible connection with their life activities.

As a matter of fact, there is no subject that can be made more lively and interesting than economics; and, if it is not made interesting and connected definitely with the lives of the students, the instructor, and not the student, is to blame.

The custom of presenting theory to Freshmen and leaving the practical courses for the later years results in disgusting a large number of Freshmen with the general subject. Freshmen should be shown the connection between economics and their own lives, and if we are to be effective economists we can well start by directly and effectively influencing the younger students who come under our charge.

EDWARD T. DEVINE: My senior colleague in Columbia has used the word pessimism in characterizing President Patten's address. I should not otherwise have wished to take part in this discussion, but I cannot refrain

from saying a word in defense of the address against that particular charge. As I understand it, that man is a pessimist who, whether he may happen to have a favorable opinion or an unfavorable opinion of the matter in hand, is in either case cynically sceptical as to the possibility of doing anything whatever to improve it. A man does not become a pessimist merely by describing a situation as unsatisfactory. Even if he denounces it vigorously he may still be a thorough-going optimist. In fact, an emphatically expressed opinion that something or other should be changed is oftener than not an evidence of optimism. Your pessimist would not think it worth while to get excited about it. He would coolly assure you that no doubt it was bad—things usually are bad—but nothing that you or I can do will make the slightest difference.

Certainly this is not the spirit of Dr. Patten's address. He describes the existing situation in post-graduate instruction in economics as unsatisfactory. He says just what he thinks is wrong with it, and he points out the remedy. I submit that no one but a profound optimist would have had the courage to do that. He contrasts the ideal which is represented by voluminous dissertations with an ideal represented by the capacity to do some definite useful work. He thinks that the wider acceptance of the latter ideal would have a refreshing and beneficial influence on our work with candidates for higher degrees. In taking this ground, and in supporting his position by the considerations which he has urged, he does not seem to me to have laid himself open to a just charge of pessimism.

THE THEORY OF COLLECTIVE BARGAINING.

J. B. CLARK.

Are trade unions a proper part of an industrial system based on freedom and competition? Do they perfect such a system or vitiate it? This is the most important question we can ask concerning them, and the answer depends on the effect they have on the general rate of wages. We may regard it as an accepted fact that there is a standard to which wages tend to conform, and that this standard is in some way based on the productive power of labor. At any one time an absolutely perfect static adjustment would give men as wages whatever the product imputable to their labor is worth. Do unions help to bring the pay of laborers generally nearer to that standard? This is the question to be answered.

Monopolies on the side of capital are obviously a perverting influence, the effect of which extends throughout the labor market. They force some men out of their natural fields of labor, congest other fields and cause the so-called "marginal increment" of social labor to produce less and get less than it should. It is almost equally apparent that, in so far as the general body of workmen is concerned, monopoly on the side of labor has the same effect. If trade unions should fence their fields about and keep out all rival workmen, they would cause a similar overcrowding of those other fields of employment to which the excluded men would have to go. This would push downward the margin of employment into less fertile fields and reduce the product to which the pay of general labor tends to conform. Its effect would differ from that of monopoly on the side of capital only in the fact that a favored class of laborers would get the

benefit of the policy. This class would create a monopolistic gain and absorb it for itself, while all other laborers would pay tribute.

Monopoly of every kind is a perverting influence, and if collective bargaining, in order to be successful, has to resort to it, it may be pronounced abnormal without further discussion. Our main inquiry would then be answered at once in the negative. In this discussion, as in others, I am careful to characterize as normal only that which is in harmony with the fundamental tendencies of a competitive system. The question which merits discussion is whether a union of labor which makes no attempt whatever to gain a monopoly of its field can materially help men to get as much as the true standard of wages requires. By possessing a good field of employment and driving others out, a few men can get more than this and force others to take less. The problem is whether non-exclusive unions would help labor generally to get what natural law calls for.

A monopoly on the side of labor requires both closed shops and what we may call closed unions. It does not exist where any man, whether in the union or not, is permitted freely to work at his trade under any employer, and neither does it exist even under the régime of closed shops, provided there is nothing whatever to hinder the man from joining a union. It is where he cannot work without joining the union and cannot join it except under hard conditions that he suffers from the presence of a true monopoly. The question before us assumes that these two conditions do not exist. Our study has to do with unions which may have become large and powerful, but have made easy conditions of membership. Under such circumstances, how much power have they to raise the pay of members, above what it would

otherwise be, and how does their action affect other workmen? Can they remove any important cause of depression and cause wages generally to approximate their natural level? This is asking whether unions, as now constituted, can afford to surrender the use of force in guarding their fields against rival claimants. Will they fail to attain their purpose if they quit "slugging"? Of course, this practice injures the workmen against whom it is employed, and, if it is successful, may benefit those who employ it. It is well to know whether the abandonment of all criminal practices would leave union men helpless and subject them to an exploitation by employers. The answer to this question will tell us where the mere enforcement of criminal law would leave unionism.

The strike, sometimes resorted to and at other times held as a possibility, is an indispensable part of collective bargaining. To many minds it is a foregone conclusion that strikes are comparatively impotent without violence. Just as laborers, taken one by one, may be forced by their necessities to accept low pay, so a considerable union of men may be forced to take it if the employer is allowed freely to call in the services of other men. As the single worker may be kept out of employment until hunger compels him to take whatever he can get, so there is no reason why a body of men, if it be kept out of employment long enough, may not be reduced to a similar surrender. The union that is without the power to expel intruders from its field of labor appears to many persons to be at a hopeless strategic disadvantage. It needs a power of coercion, which amounts to the power of monopoly, in order to protect its members from this fate. Without the power to dissuade would-be strike breakers by arguments of a material kind, a strike is conceived of as a test of endurance in which the employer is bound to

win. Men never can get on without pay as long as employers can get on without interest or profit. What is called "slugging" is, in some minds, legitimated in a quasi-fashion, as being an indispensable means of preventing an exploitation of labor. The natural course of a peaceful strike is thought of as including, first, the gradual filling of the strikers' places by men who have been idle long enough to be helpless, and, secondly, the holding of the strikers themselves long enough in idleness to starve them into a surrender.

It may be said, at the outset, that fixing the pay of labor by a crude contest of endurance is without question abnormal. What pay-exhausted men will take is a question which never should figure in an adjustment of wages except as furnishing an unreachable minimum. It is not necessary that the refraining from violence should leave unions helpless. Peaceful collective bargaining should not and does not afford the dismal outlook of a choice between crime and failure.

There are two extreme limits within which wages, as fixed by collective bargaining, should fall. Of these extremes the lower is the one which necessitous men can be forced to take, and the upper is the utmost that employers can concede without steadily trenching on capital. Somewhere between these limits lies the point at which collective bargaining should adjust wages; and the process should be without any immediate reference to the ultimate endurance of the parties. The employer should be impelled by his own interests to offer what men are impelled by their own interests to take before either party is near to the point of exhaustion.

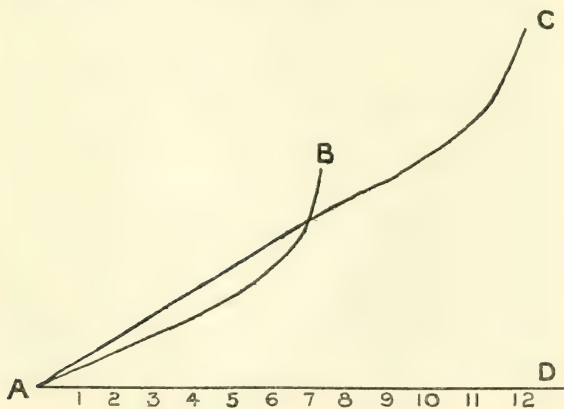
Adjustment by a fight to a finish is one thing; adjustment by a rational estimate by each party of his own gains and losses is another. Where it is easy to starve

men into a quick surrender the two methods merge into one, since the power to obtain a quick victory then enters directly into the employer's computation of his own interests. The adjustment is normal, however, only when the employer's assent to it is brought about by considerations which prevent him from resorting to his ultimate power of compulsion. This requires indeed a considerable staying power on the men's part; otherwise the pressure that should affect the employer cannot be brought to bear. The union treasuries, subsidies from affiliated unions, and the savings and the credit of the workers themselves should amount to enough, all told, to enable the men to remain for a certain time inactive, and thus to offer to the employer the alternative of conceding something to them or losing more by idleness. If the laborers can, even at much sacrifice, put the employer where it is better to start production on the terms they offer than to delay for the sake of better terms, a reasonable bargain may be made.

Where monopoly figures on the employers' side, a change in the prices of the goods produced in this branch of industry becomes an element in the adjustment. Any long continued stoppage of work raises prices and throws on the purchasing public the cost of any advance made in the rate of wages. While this may facilitate an ultimate settlement, it may lead employers to prolong the period of idleness, and so give them, at last, the upper hand of the men. Men may gain when monopolistic employers settle with them quickly and charge the cost to consumers; but by a long strike the employers may be the only gainers and are quite likely to be the chief ones. They may tolerate a strike or even foster it, sell off their accumulations of goods, ensure enhanced prices for them, and settle the strike at last when the workers' means are

exhausted and small concessions or none at all need to be made to them. On the other hand, with adequate staying power the men may extort some advance in pay, but it is unlikely to equal the gain which enhanced prices give to employers who have an exclusive possession of their field of production.

The case here selected for study, however, is the one where neither employers nor workmen have a monopoly, and where, therefore, this process of taxing the public and sharing the proceeds is ruled out. The strike, we will say, is general in the industry and brings production to a stop. There may then be a transient rise in prices and this may slightly reduce the cost which the strike entails on the employers; but a permanent rise, which would play decisively into employers' hands, is not to be expected. Furthermore, this is a case in which the motives that sway the parties proceed from a cool calculation of interests and not from that kind of class consciousness which means belligerent feeling and a fight for its own sake. There is here no entanglement of trade unionism with the militant type of socialism.



In the figure, AD measures time in months, and the lines radiating from A indicate, by the increasing extent to which at different points they rise above the line AD, the growing aggregate losses which accrue as the strike proceeds. The vertical distance from 3 at the base of the figure to the line AB measures the total amount which labor has lost at the end of the third month. The part of AB which rises steadily above the base line shows what the employer loses from month to month from mere interruption of business; and the corresponding part of AC shows, by its uniform rise, what the men lose, in wages, from the same cause. The sharp upward curves express further losses which are later incurred. At the beginning of the seventh month goods of the kind made in this industrial group begin to come into the market either from abroad or from new sources at home. At the end of the eighth month this loss of control of the business field begins to become a serious menace. As rivals freely enter their territory, the interest of the employers strongly impels them to make concessions to their men, and if, as the figure indicates, the employees can, without too great sacrifice, hold out until the end of the tenth month, their victory is assured. *The enforced yielding point of the employer comes earlier than the enforced yielding point of the men*, and his voluntary yielding point is intermediate between 0 and 7, and is nearer to the one or the other according as the rate of pay demanded of him is reasonable or exorbitant. Whether the terms of settlement favor employers, favor the men, or are made on even terms, depends upon the extent of the pressure under which the two parties find themselves at the point of time when the settlement is made.

This figure expresses a first approximation to the full facts of the case, since the losses described are those

which are measurable in money and, as *an incentive to yielding*, money losses themselves acquire increased effectiveness in the later stages of the strike. The principle we are illustrating is not less apparent where this further consideration is taken into account.

The timing of the concession which ends a strike is affected in the case of either party by the extent of the demand made by the other. A great concession can be extorted only by a great pressure, and this can usually be applied only in the latter period of a prolonged strike. When a grave injury would be brought upon themselves by further warfare, employers or employed can afford to pay a large price for peace. It takes an exceptional staying power on the men's side to extort this large concession from employers. As it continues, month after month, a strike takes on a more and more critical character. If the two upward curves in the figure chance to occur nearly together—that is, if the pressure on both parties becomes severe at the same time—the stakes which they are playing for become startlingly high, and each party may stand to gain or lose so enormous an amount that the struggle may become desperate. The men may then carry to the bitter end the contest of crude endurance. They may hope to hold out till, in spite of their large demands, the employer's yielding point shall be reached.

The yielding point of the employer comes late when the demand is exorbitant, and should come early when it is reasonable; and, when the wages asked for conform to the marginal productivity of social labor, the yielding should occur either in advance of a strike or in an early stage of it. In conditions which in a prosperous country usually prevail, there is small prospect that the employer can long enforce a much lower rate, nor can he secure it

even temporarily, except by a long and costly strike. Other employers will pay the rate that represents the marginal product of labor, and if the present employers of the men refuse to do so, the refusal will mean a loss of traffic with no offsetting gain. In the end they will have to pay this rate in order to hold the men whom they secure at a somewhat lower one.

The favorable issue of a strike requires that the places vacated shall not, in fact, be filled by non-union men; and, as we exclude the supposition that the strikers will forcibly prevent them from being thus filled, we must suppose that there are not enough available men outside of unions to fill them. The absence of an ample supply of competent labor quickly obtainable is a condition of success. The supposed great force of capable men disciplined by hunger into submissiveness does not exist; and, with all the shortening of apprenticeships which modern machinery has caused, it still takes some time to train men for artisans' work. Wholly unskilled labor would be wasteful, and, with a union embracing nearly all of the men at present trained for the crafts, employers cannot afford to incur much delay in trying to avoid paying wages that are normal and in a period of progress likely to be conceded by those employers whose operations are enlarging.

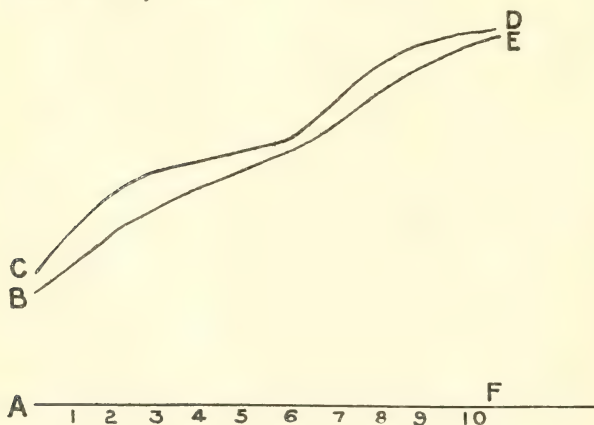
Where labor unions are strong and widely extended, and where they are judicious in their demands, an anticipation of the result of a strike usually brings the concession without the use of the last resort, the actual strike itself. The more effective strikes become potential rather than actual. A wide extension of the organization of labor, insight on the part of leaders, and a like insight on the side of employers should keep them in this latent state. With too large a part of the force of labor unor-

ganized, there is a real danger that there may be too many actual contests of endurance. The organization of labor, therefore, needs to become general in order that it may do its full work and do it in a lawful way. In its many branches it must include the bulk of all labor available to do work requiring skill. There must not be outside of the unions any source from which a very large force of trained workers can *at once* be drawn.

It is time that we see how these principles work when industry is in a progressive state. In such a condition wages tend toward a level which is always above the existing marginal product of labor. Improved methods of production are constantly introduced, and this imparts to labor a *potential* productivity which always exceeds its actual productive power at the margin of employment. After a particular device has been utilized and the product created in one fortunate employer's shops has been raised above the average level, time is still required before the full effects of the improvement are realized in the broader field of labor. When they are so it is found that all labor has made a gain. Its product and its reward have become larger; but an interval of time has passed after the original introduction of the improved method before this diffusion of its fruits has taken place. Actual wages, during this interval, have been gradually climbing toward their new level; but while they have been doing so, other improvements have occurred which have raised still further the potential productivity of labor, and wages climb on toward their further and still higher level. They are always lagging behind the standard set by their potential productive power; but they are always rising above their actual returns in the more ill-equipped establishments. Each single improvement sets a standard, which in due time they will reach. It is more than, at the time of its

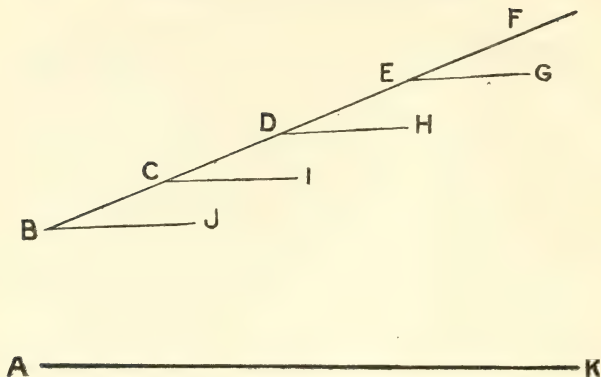
appearance, they are getting, but is less than the still higher rate which, by the time they attain the standard, further improvements will have made possible.

This diffusion of benefits from specialized improvements requires: first, that all employers in the same branch of industry should ultimately adopt the appliance, or an equally good one; secondly, that the physical output of goods which this group makes should be increased; and, thirdly, that by a change in ratios of exchange the values of those products which other labor creates should rise. A specialized productive power is thus translated into an enhanced value imparted to the product of all labor, and furnishing a new standard of wages. When improvements come in quick succession, the standard rises rapidly; and, as the rise of the actual pay cannot instantly be quickened, *the interval between the standard and the pay becomes wider*. As the improvements accrue more slowly, the actual rate of pay draws nearer to the standard they create.



AF represents time in decades. The ascending line CD represents the standard of wages rising with unequal rapidity in different periods. The line BE represents the actual rate of pay pursuing the standard in its upper movement, although farther from it at the time of rapid rise than at other times.

Under such circumstances, the evil to be dreaded is not a wide interval between wages and that norm which is set by the potential productivity of labor. It is an interval made broad not by the welcome and hopeful cause of such a quick rise in this standard of pay, but by disabilities on the part of laborers which prevent actual wages from pursuing the standard as closely as they should. In a time of rapid progress a large but law-abiding union of laborers may almost surely preclude this special evil and procure as close a conformity of wages to their rising standard as the interest of laborers requires. The progressive condition is one in which labor is in brisk demand at many points; and, although here and there a few men may have to change their occupations, they do so in a market in which wages are firm, as labor yields an increasing product to its employers. In the absence of untoward circumstances, few efficient men will be long without work and very few are likely to be reduced to the helpless condition of a force long held in idleness. The pay of some of the men is forever rising above the actual product of labor in a certain marginal part of the field; for there are always inferior establishments in which employers can barely pay what labor has heretofore produced, and cannot pay what in the better equipped establishments it is now producing. Their owners soon must either close the shops or give them a better equipment and promote them to higher positions in the scale of productivity.



AK is the line from which the products of labor are measured, and BF represents, by its rise above this base, the differing amounts which labor produces in different establishments of the same kind. BJ is the level of productivity as attained in marginal establishments, and there is an active demand for labor in the better ones, which will soon raise its pay to the level of the line CI. The marginal mills, etc., will then be closed, and those in which the product of labor stands at the level CI will then be the marginal ones. When further improvements have carried the productivity of labor to the level DH, the mills, etc., where labor can create only the amount expressed by the level of CI will have to be closed, as will the still better ones when the product reaches the standard EG.

The pay of men in the better establishments is not held down to the products created in the poorest ones, but is, in consequence of technical changes, raised continually above that amount. It is near to this marginal product of social labor only because the mills, etc., on the margin cannot long run at all after their laborers have ceased to

produce as much as other laborers get. Rising pay causes the social margin of employment to recede and the rate of pay at the shifting margin to rise. It creates, in fact, a series of different margins, any one of which shows a rate of pay below the new social level. All this makes easier the task of collective bargaining and removes the necessity for resorting to violence. On the other hand, it makes it necessary that the organization of labor be made far more general than it has yet become.

Conclusions which are now in sight and could be fully proved by a more extended treatment are :

1. In conditions which economic science calls dynamic, a continual rise in the standard of wages is caused by the increasing productivity of labor in the better establishments. There is a norm furnished by the productivity which recent improvements will, after an adjustment, impart to general labor.

2. Actual wages pursue a rising series of such norms, but remain, by an interval, below them.

3. The interval is greatest when technical progress is most rapid, and smallest when the progress goes on most slowly.

4. A complete closing of the interval between pay and standard would imply a halt in progress and the loss of all prospect of a further rise in wages.

5. It is one object of organization of labor to prevent the interval between pay and standard from becoming abnormally broad because of any disabilities of labor in connection with the making of its wage contract.

6. This aim is attained if the actual rise of pay which workers get in some establishments is quickly shared by the general body of workers elsewhere employed. It is to diffuse what would otherwise be localized benefits accruing from progress and to ensure for

men generally what some men would, without union, quickly get, and others would get more tardily.

7. This purpose is attainable by unions that are large, wisely directed, and entirely law-abiding. The interest of employers having increased facilities for production prompts them to secure profits by an early enlargement of their output, since a later enlargement would not afford the profits. A union which threatens to withhold needed labor puts pressure on the employers at once. If a strike actually ensues, provided that the laborers' demands are within reason, the employers' yielding point comes far within the limit set by the forced yielding point of the workmen. An anticipation of this result makes a merely potential strike effective.

8. At a rate of pay that is slightly above the existing marginal product of labor, the progressive establishments can absorb the labor that is relinquished by the unprogressive ones. At a higher rate, less labor can be absorbed and more is relinquished. The success of a *general* system of labor unions requires such an adjustment of its demand for increasing wages as shall not lead to an increasing amount of unemployment.

9. In the period of depression following a business crisis, it is the true policy of a general union of laborers to adjust its claim for wages with especial care to the marginal product of labor. Otherwise it may, at a critical time, increase beyond the amount which the conditions of the times entail the number of men out of work.

10. It is for the interest of a general union of laborers to conserve with the utmost care the condition of progress itself. No amount of organization can maintain a rise in pay that is not based on a rise of general productivity. A local and monopolistic union may discover transient reasons for reducing the product which a lab-

orer creates. A general system of non-monopolistic unions will not do this unless it is extremely unintelligent or carried away by a mania for conflict. If its intelligence is worthy of its size and power, it will realize the impossibility of drawing large general pay from a comparatively sterile industry.

THEORY OF COLLECTIVE BARGAINING— DISCUSSION

A. C. MILLER: I find myself in such substantial agreement with Professor Clark's leading proposition that I can hardly hope to perform the best office of the critic in opening this discussion. I begin by remarking that Professor Clark's paper is a welcome evidence of the changed attitude of the economists on the important question of trades unionism. From one of doubt or denial that attitude has, in the course of less than a generation, become one of tolerance or approval. Few economists of the present day would question the economic legitimacy of trades union action, if directed toward the proper ends and restricted within the proper limits, as a mode of adjusting the terms of the wage contract or of settling other conditions affecting the employment of labor. The legitimacy of trades unionism is derived from the necessity of collective bargaining, under a system of competitive distribution, if labor is to receive its due portion. Indeed, so fully has the more careful study of the workings of actual competition, made in our day, attested this conclusion that the principle of collective bargaining may virtually be regarded as an implicate of the system of competitive industrialism. Competitive industrialism has given us trades unionism in much the same way, and for much the same reasons, as it has given us coöperative capitalism, or the trusts. The same sort of economic necessity which has brought organization at the top, for capital, has also forced it at the bottom, for labor. Collective bargaining is, after all, little other than the application or extension of the competitive business principle

to the market for the sale of labor. It should not be overlooked that the condemnation of the trades union (the means for giving effect to the principle of collective bargaining) involves indictment of the competitive industrial system; for it is a correlate of that system.

The conclusions here stated, it is pertinent to remark, do not depend for their validity upon the acceptance of any particular or peculiar theory of wages. Under any theory of wages which could hope to find adherents amongst present-day economists, these interpretations would be true, if true at all. Under such a simple formulation of the demand and supply theory of wages as Cobden's—"wages are high when two bosses are running after one man and low when two men are running after one boss"—or under the highly refined productivity theory of Professor Clark, an analysis of the current business and industrial process, which did not blink the facts, would have to recognize that competition, of itself, does not equate pay and work with such nicety and precision that the intervention of such an agency as collective bargaining could be regarded as superfluous or obstructive. Such intervention when proceeding on the right line is to be viewed as the fulfilment rather than as the negation or arrest of the competitive process.

The time is happily passing when it was the fashion to speak of economic laws as though they were principles of mechanics. Human beings are not mere mechanisms, on their volitional side, at least, and the economics of the competitive system must be more than a mere mechanics of industrial liberty. The acceptance of the principle of collective bargaining implies all this. We dare not trust the laborer's destiny to the unaided workings of competitive laws. In a business age and under a business system where industry is undertaken by business men for

business ends, and where business strategy is an integral part of the general process, it must be said that, whatever else wages depend on, they also depend on bargaining. Economic laws alone—that is to say, competition—do not settle the matter. Still less do they act with electrical expedition. Competition, at best, simply sets the limits within which wages, or the other terms of the labor contract, will be fixed. Between the least the workmen will take and the most the employer will give there may be a pretty wide margin. We know there is a very considerable margin between their ideas of what the one should take and the other give. The adjustment of their respective claims to this indeterminate and fluctuating part must be effectuated by bargaining; and that means, looked at from the side of labor, collective bargaining.

Speaking in a company of professional economists much, or even all, of what has been said might seem unnecessary of statement. It is because I think the area for the operation of collective bargaining to be even wider than Professor Clark and the many who occupy his general theoretic economic standpoint would allow, that I wish to emphasize its validity as an economic principle, even under their peculiar theory of distribution. Professor Clark has won distinction by his brilliant championship of the economic theory of imputation. Now, without raising the general question as to the tenableness of that theory, I want to point out, as bearing especially upon the present problem, that “imputation” is an elusive term. It covers a multitude of psychologic phases—emotional as well as mental. It cannot be taken as a mechanical process, definable in simple and accurate form. Those who use it as a convenient formula to explain the operations of industrial life should, therefore, use it with caution and discrimination. “Product imputed” means product

imputed by *someone*. That "someone" is the employer. It is he who assesses the workman's service; and, unless we assume that employers as a class are an exception to the rule *humanum est errare*, it is at least conceivable and, therefore, a matter of theoretic moment, that the imputation might be based upon partial or faulty grounds. If so, it occurs to me that collective bargaining might have a special function as protecting the process of imputation against bias, greed, deceit, or other considerations of an adventitious character—considerations to be estimated as adventitions, at any rate, when viewed from the standpoint of *industry*, even though not so estimated when viewed from the standpoint of *business*. In other words, collective bargaining presents itself as a mode of putting the employer on his good behavior, as it were; of obliging him to make a more searching analysis of the full worth of labor to him; and thus becomes a method of more nearly securing to the laborer his due portion in industry.

The portion of labor in industry is what it gets. If, and only if, it gets *all* that it is worth can it be said, in any proper sense, to get its due portion—to get what it is worth. It would be truer as regards the ordinary issues of practical economic life to say that labor is worth what it can get than that it gets what it is worth; and the corollary of this proposition is for labor to get all that it properly can. This implies bargaining—bargaining with skill, vigor, and judgment. More than this, it means, specifically, collective bargaining. The individual, isolated workman is usually a poor bargainer. His habits of life do not fit him for bargaining. Besides, he usually cannot hold out for better terms; he belongs to the category of what are called in commerce "perishable goods." Adam Smith appreciated this circumstance when our modern industrial (wages) system was yet in its infancy: "In the

long run the workman may be as necessary to his master as the master is to the workman, but the necessity is not so immediate." That states the gist of the matter. The workman is ordinarily under economic disabilities which make him a weak bargainer. Concert of action thus becomes for him an economic necessity, if his disabilities are to be overcome or diminished. "In union there is strength."

Professor Clark has rightly drawn attention to the conditions of efficacious action on the part of labor organizations, and he has rightly emphasized the importance of a wide membership, power of endurance, and reasonable leadership. Violence forms no part of the machinery of effective and legitimate trades unionism. Where the above-mentioned conditions of efficiency are satisfied, violence is *prima facie* evidence of excessive demands, not warranted by the industrial situation; and, under these circumstances, failure is deserved. In other cases, violence is the resort of weak organizations or unscrupulous leaders, and merits little attention in a theoretical survey, unless the language of outspoken condemnation be allowed to be appropriate within the frontiers of economic science.

It ought not to be overlooked that the labor problem is made for us by progress. The perils which we dread in this connection come with our prosperity. Progress means change; and changing industrial conditions bring with them the ever-recurring need of new industrial adjustments. The stagnant civilizations of eastern Europe and Asia do not experience the unrest that disturbs us. And why? Because we are, in an industrial sense, the most active and progressive people on earth. Industrial unrest is one of the penalties of progress. What, at bottom and in a large sense, has supplied the leading motive

of that larger and more compact organization which has characterized the labor movement of this country during the past forty years? The conscious desire on the part of labor to secure what it regards as its rightful share of the fruits of industrial progress. The struggle is for the advantages of science and invention applied to industry. This is the fundamental issue in most of our great strikes. Such agencies as collective bargaining have, therefore, a peculiarly proper place and a peculiarly urgent function in a community like ours, where progress is the rule. It is worth noting that even an economist like Cairnes, who held the doctrine of the wages-fund in a specially rigid form and who shared the dismal view of his predecessors as to the general futility of trades unionism, conceded, nevertheless, that, in a time of rapid industrial expansion, trades unions might exert a considerable effect in accelerating an advance of wages. The more flexible views or theories held by present-day economists as to the factors governing the rates of wages under the competitive régime, and the forward movement of our industry, which we confidently expect to continue for untold ages to come, may well conspire, therefore, to give to collective bargaining a place of foremost importance as a detail of economic theory. For one, I want to record my obligation to Professor Clark for his able and brilliant discussion of the theoretical limits of collective bargaining, while at the same time, I must express the feeling that he has allowed his theory of imputation to lure him into too comfortable and sanguine an attitude on the question of the standard, normal, or reasonable rate of pay.

G. E. BARNETT: With the central proposition of Professor Clark's paper that a union of skilled workmen, by simultaneously ceasing—or threatening to cease—work,

can induce employers to yield an increase in wages beyond what would be paid in the absence of organization, no one, I take it, will have any quarrel. The thing has been done too many times to be doubtful. Even without that general organization of skilled artisans which Professor Clark considers one of the conditions of success, such unions have been able to establish rates of pay admittedly higher than would otherwise have prevailed. No one, I think, will disagree with the further proposition that under such circumstances as Professor Clark describes a trade union may raise wages somewhat without the use of violence.

If we consider Professor Clark's theory of collective bargaining with reference to its value as a practical guide to trade unions, serious difficulties appear. Professor Clark seems to believe that the normal wage can be determined at a given time with an exactness which will be of service in collective bargaining, for he warns trade unions that if the rate of pay is very much above the existing marginal product of labor, an increasing amount of non-employment will be caused. As a matter of fact, no one can determine, in any particular case, what the marginal product of labor is with an exactness sufficient to serve as a guide in bargaining. The experience of all arbitrators is that the attempt to determine a rate of wages for one trade by reasoning from the wages paid for similar classes of labor in other trades is likely to be unsuccessful. No one can say, for example, that in the iron-moulding trade, \$4.50 or \$5.50 is the rate of pay which would be established under perfectly competitive conditions. The reason is, of course, that the conditions in each particular trade determine very largely the rate of pay. The mobility of labor from trade to trade is much less in practice than in present-day economic theory. Again, Professor

Clark warns the unions that in a time of industrial depression they should take care to adjust their claim for wages with especial reference to the marginal product of labor. But what is the marginal product of labor? If the bakers of Minneapolis have a wage of fifteen dollars per week, shall they refrain from demanding sixteen dollars on the ground that fifteen dollars is the marginal wage?

As an attempt to indicate the place which collective bargaining fills in a system of industry based on freedom, Professor Clark's theory appears inadequate. He assumes, not only here, but in his other writings as well, that the function of a system of collective bargaining is purely and simply to raise wages by substituting collective for individual bargaining. Such a theory excludes two essentially characteristic features of a system of collective bargaining as distinguished from one of individual bargaining.

In the first place, practically all trade unions which have more than an ephemeral existence seek not merely to establish higher wages by collective action, but also to maintain rules which will have the effect of raising wages by diminishing the severity of competition within the trade. There are very few unions which do not include some such regulation among their primary aims. The larger and stronger unions, having established such rules, are not often forced into serious conflicts over mere questions of wages. These rules are of two kinds,—monopolistic and non-monopolistic. For example, a trade union may limit the number of apprentices severely, so that the competition of employers for workmen will, of itself, raise wages with only the slightest pressure from the union. But rules of a non-monopolistic character are also frequent. For example, the printers' unions main-

tained for many years strenuously, as one of the chief safeguards of their standard rate, that an employee must be given a fixed number of hours' work on each night or day he was engaged. By this rule it was made impossible for the employers to hold in their offices an excessive number of workmen. Many of the trade-union rules which regulate methods of remuneration, continuity of employment, and conditions of hiring and discharging have similar aims. The extent and variety of these rules is larger than is ordinarily supposed. By these regulations a trade union establishes a régime under which competitive forces work in such a way as to raise wages. The trade unions recognize that the cause of the large differences in the wages of essentially the same class of workmen which exist in the different trades, is to be found primarily in conditions in the trades which restrict, or heighten, the competition of the employers for the work people. The struggles, such as Professor Clark speaks of, for a mere raising of wages by concerted action, are usually to be found in those unions where the conditions in the trade are such as to depress the wages of the workmen much below the rate of pay prevailing in other trades for workmen of a similar character. In such trades unionism does not ordinarily flourish. Strong unions exist in those trades in which, by a series of rules, competition is made of itself to bring to the individual workmen a higher rate of pay, and the action of the union in increasing the standard rate is almost perfunctory and a matter of course. Professor Clark's illustration of a union of skilled and disciplined unionists standing out for seven months solely on a question of wages is one which he can hardly have drawn from life.

The second—and more serious—objection to such a theory of collective bargaining is that it neglects the fact

that in all except the most weakly organized trades the collective bargain, tacitly or explicitly, covers many things besides wages. The labor contract involves many elements besides wages, and the trade union aims to exert an influence over all the terms of the contract. Individual bargaining is far more effective in matters of wages than in any other element of the wage contract. Hours, sanitation, power of discharging,—these can only be determined in a collective bargain. Collective bargaining thus covers points in which individual bargaining is almost entirely ineffective. The primary difference between collective bargaining and individual bargaining lies rather in the terms covered than in the mere difference in competitive strength. A man may stand out perhaps for an extra dollar per week on his own merits as a workman, but it would be quite hopeless for him to demand for himself an eight-hour day, or the cleaning of the factory. Even competition between employers goes a very little way in this direction. Here and there, to attract especially desirable workmen, an employer may alter some other term of the labor contract than wages, but the custom does not spread through a whole trade. Competition is most effective, except in rare cases, in terms of wages. The ordinary workman will not willingly forego for himself as an individual a higher wage for shorter hours or for better sanitary conditions. But the union when it bargains covers these non-monetary terms of the wage-contract.

The point can be illustrated in terms of Professor Clark's theory. Let us assume that the progressive establishments are paying something higher than the marginal wage and that conditions are favorable to a demand for a higher wage. Professor Clark assumes that at such a time the union would ask for an increase in wages,

but, in trade unions as actually conducted, this would not necessarily be the case. The union has a choice of several, perhaps many, different ways in which it will take its share of prosperity. Collective bargaining is thus formative of the conditions under which industry is conducted. Individual bargaining is rarely so. The line of progress becomes in collective bargaining a matter of election. Shall the increased product take this form or shall it take that?

A very large proportion of the conflicts between employers and unions occur over rules of the union which have for their end one of the two aims noted,—either to establish in the trade competitive conditions which will give a higher rate of pay, or rules which express the view of the union as to the conduct of the industry in its relations with the employers as to the length of working hours, sanitation, hiring and discharging. It seems fair, therefore, to say that a theory of collective bargaining which takes into account merely the direct influence of trade unions on the determination of wages is true only for poorly organized unions.

T. S. ADAMS: With the practical import, the empirical implications of Professor Clark's paper. I find myself for the most part in hearty sympathy. Moreover, I think they would be thoroughly acceptable to practically all modern economists and almost all labor leaders. The fundamental economic doctrine, however, from which his conclusions seem to be derived, and in terms of which they are expressed, appears to me far more questionable, and to that doctrine, the so-called "productivity theory", I shall confine my remarks.

During the past fortnight I have had the opportunity of listening to a protracted series of negotiations between

the representatives of a great railroad and the representatives of four great railway brotherhoods. One of the most striking figures among the representatives of the railway was an official known as the "Supervisor of Pay". As I watched the subtle skill with which he resisted the demands of the employees, I occupied myself with an effort to harmonize this official and his functions with the requirements of the productivity theory of wages. It was evident that as he succeeded the representatives of the men failed, that as his value to the company increased the wages of the men decreased, that as his "productivity" waxed the "productivity" of the men, at least to themselves, waned. Any positive "productivity" which this official possesses involves a minus "productivity" on the part of other employees. His "productivity" to the company rests upon the commercial gift of buying labor cheaply. His function in the railway business is a permanent and "normal" one. Why, I asked myself, cannot the other employees—"normally" and permanently—increase their own "productivity" by learning to sell more advantageously? And, I was forced to conclude, the productivity theory, if it is to be logical and consistent, must adjust itself to the idea that a man or body of men can increase their "productivity" not only by developing their skill or their command over the technical processes of production, but by haggling and bargaining, by learning how to extract from a purchaser every cent he can afford to pay. The elements which go to make up the successful "producer", which make for "efficiency", in the complex industrial world of today, are too varied and numerous to exclude from them that element of barter or bargain by which so many men make their living.

If we admit all this, then it follows immediately that any organization of employees capable of increasing their

wages by an amount in excess of the cost of maintaining the organization, increases the net "productivity" of its members to themselves and thus justifies its existence. This conclusion, I say, follows immediately. There is no reason for long discussions and an involved theoretical apparatus to answer Professor Clark's central question: "Are trade unions a proper part of an industrial system based on freedom and competition?" They are just as proper as foremen and pay clerks, just as "normal" as the division of labor, just as legitimate—and will probably endure as long—as the wage-system itself.

What I have been saying up to the present time rested upon the supposition that we are to retain and use the productivity theory. In my own opinion, however, it would be far better to abandon the theory, and particularly its nomenclature. As soon as we admit that bargaining skill constitutes a possible element in "productivity", that moment we admit that an unscrupulous employer who systematically preys upon the weakness and ignorance of his employees has "earned" or "produced" these illicit gains; we are driven on logically to the conclusion that a man's "productivity" is measured by what he gets; and the productivity theory becomes a mere assertion of identity—whatever is, is—with a dangerous predisposition to degenerate into the dogma—whatever is, is right.

Would it not be far better to abandon the whole theory, with its alluring imagery of productive "norms" forever floating before and forever eluding "actual wages", and simply admit, in the customary language of this earth, that a man who can drive a good bargain gets more for his wares or his skill than a man who cannot; that laborers are proverbially poor bargainers; and that to fortify their weakness they have devised unions, business agents,

secretaries, or walking delegates, to help them bargain effectively? Of course, some unions employ other methods which are questionable. But this one function gives to the trade union not only a legitimate, but a permanent and "normal" place in any industrial society based upon a competitive wages system. If all this is true, why mystify the function of the law-abiding union by explaining it in formidable terms and ambiguous formulæ?

Let me take an example from the paper under discussion. "In the period of depression following a business crisis", says Professor Clark, "it is the true policy of a general union of laborers to adjust its claim for wages with especial care to the marginal product of labor. Otherwise it may, at a critical time, increase beyond the amount which the conditions of the time entail the number of men out of work."

Now I ask what real meaning has such an injunction beyond that conveyed by the time-worn union maxim: "Don't strike for an increase of wages in a falling market." What guidance can the "marginal product of labor" offer to the labor leader who in a period of depression is anxiously seeking to discover the best policy for his union. He knows perfectly well that if everybody in the trade is to work all the time, wages must come down. But he knows quite as well that, wages once down, it will be a difficult job to get them up again; and he is not unlikely to conclude that the wiser course is to insist upon the old wage and have his followers work part time. In the latter case the marginal product of labor is kept relatively high by deliberate limitation of the supply of labor. In other words, the conscious action of the trade union is a powerful factor in determining what the "marginal product of labor" shall be. Why, then, speak of it as an objective point, a fixed star by refer-

ence to which the pilot of the trade union in a stormy sea can always compute a true reckoning? As a matter of fact, it has no such fixity. It is a mere sign, an index, a moving finger obediently following our old friends, "demand" and "supply". The productivity theorists insist upon our studying its insignificant waverings, when what we should be studying are the significant factors in obedience to which it moves. To refer the labor leader in times of depression to the "marginal product of labor" is something like mockery.

I am perfectly well aware that economic theory is not devised for the sole purpose of solving the practical problems of labor leaders. I am only calling attention to the fact that the productivity theory is playing a prominent part in emasculating economic theory of the present, in making it superficial and unreal. I may illustrate by another reference to the paper under discussion. The backbone of the paper consists of an analysis of a hypothetical strike in which, to use Professor Clark's words, "the motives that sway the parties proceed from a cool calculation of interests and not from that kind of class consciousness which means belligerent feeling and a fight for its own sake". This selection of premises illustrates perfectly the danger of the kind of theorizing which I deprecate. It is substantially true to say that there never was an important strike in which "the motives that sway the parties proceed from a cool calculation of interests". Trade unionism is built upon an instinct or *feeling* of solidarity, that can never settle down into cool calculation. I am aware that to theorize profitably we must first clear the way by abstracting certain elements of the problem. But we must not abstract the major elements. It is perfectly legitimate in studying the laws of gravitation to assume that there is no air, and on this hypothesis

compute the rate at which bodies would fall in a vacuum. But such an assumption is not permissible when we are studying ballooning. We must have approximations, at least, with which to start.

C. W. DOTEN: The paper by Professor Clark opens up the whole question of the distribution of wealth. One might go even farther and say that in order to discuss this paper adequately it would be necessary to compass the whole field of economics. But it is manifest that in a ten-minute paper many things must be taken for granted or allowed to go by default. I shall therefore confine my attention to two or three points which to my mind are the most significant.

Owing to the splendid work of Professor Clark and others who have followed his lead, the marginal productivity theory is now as well known and as generally accepted as the "wage fund" theory was a generation ago. We are especially fortunate, therefore, in having one of the, shall I say, discoverers or inventors of this theory expound to us in such an able and convincing manner the practical bearings of this theory upon one of the most vital and perhaps most critical of present day problems.

At first glance Professor Clark's conclusions seem to be a message of hope and good cheer to the organizations of labor. Are they really so? He certainly recognizes and emphasizes their utility in securing for their members a larger share of the product of industry than they would otherwise obtain. This certainly seems to give greater encouragement to labor organizations than the conclusions of the economists of the old schools, who declared that such organizations were not only impotent but useless. But when carefully analyzed it appears that the only function of the union in this connection is the secur-

ing to its members at an earlier date what natural law would ultimately give to them, and what the older economists assumed that they would necessarily get without combination.

Professor Clark's whole argument is, it seems to me, a tacit, if not an explicit, acknowledgment that labor has been and is now being exploited. His only word of encouragement, then, is that combinations of laborers, if strong and well organized, may diminish the amount of this exploitation and "procure as close a conformity of wages to their rising standard as the interest of laborers requires". What does this really mean? If I understand the matter aright, it means that what has all along been assumed to be a natural law of wages is merely an ultimate and unattainable limit. It means that laborers must not only earn their wages, but fight for them.

And in order to be successful in this fight for the "imputable product" of their labor, workingmen must form unions that are practically monopolistic. At this point I must take exception to Professor Clark's definition of a monopolistic trade union. A monopoly here, as in the capitalistic field, has two aspects, namely: (1) its treatment of competitors, and (2) its relations to purchasers of its products. It seems to me that the second is the significant thing. It is the real test of monopoly power. The first aspect is merely the method by which monopoly power is obtained.

I cannot see that it matters whether competitors (here non-union laborers) are driven from the field by violent methods or subjected to benevolent assimilation, so far as the fact of the existence of a monopoly is concerned. Professor Clark says (p. 33): "The organization of labor needs to become general in order to do its full work. In its many branches it must manage to include the bulk of

all labor available to do work requiring skill. There must not be outside of the unions any source from which a large force of trained workers can at once be drawn." I must respectfully insist that these requirements, when met, spell monopoly, whether arrived at by a policy of inclusion or exclusion. If we regard combinations in the industrial field which control fifty-five to sixty per cent of the product in any one line as monopolies, shall we not be obliged to acknowledge that a labor union that includes a large majority of all the workers in a certain trade has monopoly power in its dealings with employers?

I am inclined to think, therefore, that Professor Clark has applied too narrow a definition to the term monopoly, and that he has not proved his point that without possessing monopoly power in any degree a labor union can enforce its demands for higher wages.

One further point in the paper under discussion challenges attention. This, as it seems to me, is the crux of the whole matter. Must the laborers of the world always continue to bear the burden of progress? Such would seem to be the conclusion of Professor Clark, for he says, "a complete closing of the interval between pay and standard would imply a halt in progress," and again, that "it is for the interest of a general union of laborers to conserve with the utmost care the condition of progress itself." Must we agree with this conclusion that labor is the one factor of production which must be constantly exploited by the other factors in order that progress may result? This, if true, is a most serious indictment of our industrial system; but I cannot believe that a theory of distribution which leads us to such a conclusion is fundamentally right. I am ready to grant that the profits of entrepreneurs are frequently augmented by the retention of a part of the product rightfully belonging to labor. So

they are also by the exploitation of the ignorant and unwary investors of capital, as everybody knows. I am willing to grant that these facts are concomitants of progress; I am, however, loath to believe that progress is absolutely dependent upon the methods of frenzied finance or the schemes of predatory captains of industry.

On the other hand, I believe that it is possible for laborers, through strong organizations, to exploit the other factors of production. Those factors are not so delicate as to be destroyed by the first breath of adversity, neither are they so mobile or fugitive that they can escape at once when pressure is applied. I recognize, of course, the fact that if the earnings of capital are forced down too far it will destroy the incentive to save. Doubtless profits may also be reduced to such a low level that employers become discouraged, but I am not convinced that these limits are reached when labor has obtained the whole of its "imputable product".

I am sure we are all aware that too many automobiles may be quite as potent a factor in checking progress as too large wages.

ACCOUNTING.

ROUND TABLE DISCUSSION: W. M. COLE, *Chairman*.

W. M. COLE: It is worth while at the beginning of our evening together to note why the subject of accounting has been given a place on the program.

Ten years ago, if I am not mistaken, accounting was a part of the curriculum of no college in the country, except as one or two colleges extended their operations beyond the academic field and provided special training professedly more or less technical for the benefit of the communities in which they happened to be situated. To put this more boldly, no college in the country then offered any course in accounting as a part of its academic work, rating the study of accounting as a part of a man's general liberal education. Probably not one college student in the country was then studying accounting unless he expected to be directly concerned in the handling of books of account. Today a dozen colleges offer one or more courses in accounts and list these courses as of academic as distinguished from technical grade, and most of these colleges have added these courses within the last three years. A third of them have added accounting in the last year.

So far as the colleges are concerned, then, accounting is a new subject. As it chances, too, it is practically a new subject in the world of actual business. We have had the word "accounting" in common usage for many generations, but the thing that the word is now coming to stand for has been developed in the last twenty years, as a part of the general economic development of the last half century. Only within ten years has accounting come to take its place in any large number of establishments.

It has been commonly used only within the last three years. Even today it is practically unknown to the average business man.

It chanced happily that in this subject is the economist's opportunity to show the man of practical affairs that economics is not mere theory. Accounts are the best common ground between the theorist and the practitioner. The business man has been remarking for years that the economist's theories are very much in the air. The economist has sometimes reciprocated the disrespect by implying that the average business man's notions are very much on the ground. In the field of accounting the business man is forced to rise to a scientific point of view, and the economist is brought down to the world of fact; so that the two men meet in a common atmosphere. When the economist by reading a business man's accounts can show the business man facts about his business which have never before been known, a closeness of touch is established between them. The thing is doubly impressive when the business man's son goes home, and, without technical training in the father's business, finds from the accounts, through his study of accounting at college, important facts that the father had missed.

A number of accountants and business men were recently talking over the field of accountancy and regretting that there was no adequate name to express the function of the professional accountant. One of them hit upon a phrase which is particularly happy in that it brings out exactly this common ground between the business man and the theorist, ground on which the accountant ought to dwell. He remarked that the accountant who does his work as it should be done might well be called a "consulting economist", because his work is similar in function to that of the "consulting engineer" and that of the "consulting chemist".

The demand for courses in accounting indicates that the public wishes teaching of this sort to be done. Those who are engaged in such education are especially favored. Here is a new subject of mental activity developing with practical men, needing the help of scientific men, intensely interesting to the public, and without traditions or legal handicaps. It is practically a new-born babe. We shall be very foolish if we do not study it while it is young—make ourselves a sort of child-study class, name it, classify it, forecast its future, and help to educate it. That is what we are here for tonight.

Three problems arise: first, shall the colleges teach it,—that is, what is the relation of accounting to general economics? second, what should be comprehended by the term accounting, or can we find a better term to express the thing? third, since in the growth of the demand for accountants technical professional training is becoming necessary, what is to be the future of that profession and what must be provided as training?

These things are not to be settled in a day. It is foolish to try to make up policies on *a priori* grounds. Our aim tonight is rather to focus attention on the problems than to solve them off-hand. The speakers whose names appear on the program have kindly consented to present these problems and to offer tentative solutions. Their purpose is rather to stimulate discussion than to argue for their own opinions.

ACCOUNTING IN ITS RELATION TO ECONOMICS.

MAURICE H. ROBINSON.

"Accounting," according to Lisle,¹ "is the science which treats of the methods of recording transactions² entered into in connection with the production and exchange of wealth, and which shows their effect upon its production, distribution, and exchange." This definition by one of the foremost Scottish accountants, while obviously incomplete, possesses the merit of calling attention to the fundamental economic principles upon which accounting is based. Whatever the definition adopted, there is universal agreement that economics is the general science of wealth. This idea is always present, although the phraseology differs. Sometimes economics is called "the science of industrial relations",³ or "the science of business activities", or "the social science of business".⁴

The two subjects are thus intimately related in that they each deal with the same subject matter, namely,—wealth, its production and distribution, together with the economic relations necessarily involved. Economics, however, differs from accounting in that it treats of the nature of wealth and analyzes the conditions under which it is produced and distributed among the members of society. It describes the process of wealth production, the conditions which facilitate the division of labor and ex-

¹ Lisle, *Accounting in Theory and Practice*, p. 1.

² The word "transactions" includes transfers of materials from one department of a manufacturing establishment to another, as well as those where an actual sale is effected.

³ Seligman, p. 4.

⁴ Seager, p. 1.

change of products, and the advantages of each; it asks the question—How is the wealth produced by society as a whole shared by the factors of production and the individuals who compose each factor? The answers of the economist to all of these questions are indefinite from the quantitative standpoint. He finds by historical investigation that wealth may be produced without the aid of capital; that, however, such a method is slow and inefficient compared with those where capital joins with labor and natural resources. The economist as such cannot tell how much more efficient. For this information he must turn to his co-worker in economic investigation—the accountant. The economist analyzes the process through which wealth, created by the coöperation of producing agents, is finally traced to the possession of individuals who make up the producing society. Here again he cannot tell how much goes or ought to go to any one class of claimants, or to any individual of a class. The accountant must be called in, and within certain limits he is able to measure the contribution of each factor of production and each individual composing each factor. He also is able to determine the share which each class of producers and each individual producer gets after the process of distribution is completed. By comparing these results he is able to answer the questions which are at the heart of the social unrest of all ages, namely,—Does the producer in a complex industrial society receive as a consumer the equivalent of that which he creates as a producer? As qualitative chemistry must of necessity precede and predetermine the conditions under which the quantitative chemist works, so the economist must first analyze economic society, differentiate processes, classify wants, determine the nature of wealth, trace out the intricate economic relationships in both production and dis-

tribution, and, from his analysis of an economic society and his observation of its workings, formulate economic laws.

Side by side with the economist, the accountant, working on the foundations laid by the economist in his analysis, attempts to determine the economic relationship of the members of an economic society with definite quantitative results. The economist finds that land assists in production in the form of rent. The accountant determines how much the land produces and therefore how much it ought to receive.⁵ The accountant also finds how much land actually does receive, and, putting these results side by side, the economic philosopher may then compare them and ask the question—Why are they not equivalent?—and answer it if he can. Applying the same methods, he determines the creative powers of labor and capital, and again finds the amount of their share in the actual distribution of wealth. In a similar way the economist may then discuss the relationship of the contribution of labor and capital respectively, in their joint production, to their shares in actual distribution. The economist may discover the reasons why one factor in production does not receive in any particular case an equivalent of the share it produces, and, having found the conditions that have brought about this maladjustment, he may advise

⁵ In actual practice, entrepreneurs bid against each other for the use of the more desirable locations and for the more fertile plots of land. Each with the aid of the cost accountant is able to determine with very great exactness the cost of conducting his business at any one of several locations. He is also able to estimate approximately the volume of business which he will be able to carry on and the prices he will be able to maintain. He therefore knows what he can pay, and the competition among many entrepreneurs in different lines of business forces the rent actually paid up to a point approximately equal to its producing power in the line of business where the land is most efficient. The accountant finds the limit beyond which the entrepreneur cannot go and be solvent.

statesmen and administrators in regard to the kind, nature, and amount of governmental regulation⁶ that is necessary to properly adjust such conditions and permit a more equitable distribution of wealth. It will be noticed that in the practical application of economic principles the economist is absolutely helpless without the aid of the accountant, and it is to be observed that the economists who have contributed the most to the abiding principles of political economy as accepted today, have in general been those who have tested their economic principles by the exact data which the accountant alone can furnish.

Accounting not only applies economic principles to economic conditions and determines from the quantitative standpoint existing economic relationships both in the production and distribution of wealth, but in turn furnishes the facts upon which economic laws are actually formulated. For example, the economist affirms that profits tend to be eliminated in the static state; this principle might possibly have been evolved in the mind of a theorist entirely unacquainted with business transactions and their accounts. It is, however, true that this statement is based upon actual accounting in a large number of business enterprises as observed by many economists

⁶ Neither the Interstate Commerce Commission, the state commissions, nor the courts have any scientific basis for the regulation of railway rates in accordance with economic principles except so far as they adopt and apply proper methods of uniform accounting. The same is also true of public service companies in general, insurance companies, and banks. The work of the Bureau of Municipal Research has been fruitful in bettering city administration because it has applied scientific accounting methods in connection with the principles of municipal administration. For an application of the principles of accounting to a concrete problem in the regulation of railway rates, see an article by the author of this paper, entitled "The Legal, Economic and Accounting Principles Involved in the Judicial Determination of Railway Passenger Rates," in the *Yale Review* for February, 1908.

through an inspection of the data furnished by the accountant. The same statement may also be made in regard to some of the more recent contributions to the theory of capital, income, and monopoly profits.

In what has been said the attempt has been made to draw in rough outline the place that accounting will take in the future development of economic theory. Today, for various reasons, accounting falls far short of its possibilities in this respect. In the first place the economists have generally had neither the opportunity nor the inclination to master the principles and practice of accounting. They have, as a class, therefore, contented themselves with making general statements, many of which have been recast from time to time as the actual facts of business relations have been disclosed through the more scientific application of accounting methods; and the process is not yet ended. Secondly, accountants are not usually economists, and therefore their work, lacking the scientific character which the economist demands for his purposes, often has little of value to offer when cast in its present form. An income account, as usually drawn up, in which the various items are thrown together without reference to their economic character, is well nigh valueless for the purpose of determining the contribution of the economic factors to the income produced. The same is true of the other principal accounts which the accountant prepares for the information of the business house for which he is employed; and, finally, the accounts, being drawn up for the purpose of protecting the proprietor's interests, are naturally enough arranged to show only his capital, his expenses of production, and his net earnings. The economist whose chief interest in the cost of production is from the standpoint of society, often finds little in the books of a business enterprise to help him

in his work. An industrial society is, however, made up of individual business units, and the economist who is unable to grasp the inter-relations of these business units and to make the adjustments in the accounts of such business units as is necessary in order to make up the balance sheet and income account of society as a whole,⁷ neglects to take advantage of one of the most valuable methods for establishing economic principles and economic laws and eliminating the errors which the economists who rely wholly on abstract reasoning are liable to commit.

If the principles maintained in this paper are valid, it naturally follows that:

1. Courses in accounting should be established in each of the institutions of higher education by the existing departments of economics, thus maintaining the integrity of the two branches of the general science of wealth; and students who are looking forward to careers as economists, as well as those who expect to enter business life, should elect such courses, as a part of their economic training. Candidates for the doctor's degree in economics especially ought to be examined in the elements of accounting, for the reason that such an addition to the usual course compels accuracy in economic thinking, and again since it makes the theory of production and distribution clearer than is possible by the ordinary methods of exposition.

2. All accountants, and especially those who are granted the degree of Certified Public Accountant by states or by universities, ought to be trained in the principles of economics. Accounting being the application of economic principles to definite business transactions, it is obvious that if this work is to be raised to a level with the

⁷ See Fisher, *Nature of Capital and Income*, chapters on "Capital Summation" and "Income Summation".

learned professions those who enter this field must be masters of the principles which they are daily applying in specific cases.

3. The principal statements made by accountants, namely, the balance sheet and the income account, should be drawn up in accordance with economic principles,—that is, so that economic units of the same kind should be collected into the same group. For example, the balance sheet and income account would then be drawn up in the following form:

INCOME ACCOUNT				
Inventory, Jan. 1, 1908	\$ 1,000 00	Sales	\$15,000 00	
Purchases for year	10,000 00	Less Freight Outward		
Total	<u>11,000 00</u>	and Discounts	<u>500 00</u>	
Less Inventory,				
Jan. 1, 1909	<u>1,200 00</u>			
Cost of goods sold	9,800 00			
Freight and Express				
Inward	<u>500 00</u>			
Total Cost of Goods at				
Plant	10,300 00			
Earnings of Establish-				
ment	\$ 4,200 00			
	<u>\$ 14,500 00</u>		<u>\$14,500 00</u>	
<hr/>				
Rent	16 $\frac{2}{3}$ %	\$ 700 00	Earnings down	\$4,200 00
Int. on Cap.	19 $\frac{1}{4}$ %	800 00		
Wages	59 $\frac{1}{4}$ %	2,500 00		
Net profits	4 $\frac{1}{4}$ %	<u>200 00</u>		
		<u>\$4,200 00</u>		<u>\$4,200 00</u>

ASSETS		LIABILITIES	
1. Investment in Land	\$10,000 00	1. Obligations to	
2. " of Capital		Creditors	
Buildings	\$12,000 00	Mortgage	\$15,000 00
Tools & Mach	2,000 00	Accts & Bills	
Merchandise	1,200 00	Payable	2,000 00
Accts & Bills		Total	\$17,000 00
Receivable	1,500 00	2. Proprietor's Interests	
Cash	5,000 00	Cap. Stock	15,000 00
3. Franchise	5,000 00	Undivided	
		Profits	4,700 00
	\$36,700 00		19,700 00
			\$36,700 00

This would enable business men to know what percentage of the cost of production was due to rent, interest, and wages respectively, and when therefore it would be more economical to increase the interest account by adding improved machinery rather than the wage account by adding more laborers. With the usual arrangement of the income account, this important fact is of course impossible to ascertain. At the same time, such an arrangement of the income account would enable economists to make use of the facts of business activities for the establishment of new economic principles or the correction of theories formulated without the aid of the facts which such statements would bring to light. In this way a gain to both economic theory and sound business principles would follow.

The evolutionary forces, especially active and persistent in business, are steadily bringing these highly desirable ends to a welcome fruition. The process is, however, a slow one, and I wish therefore to close this paper with the suggestion that this Round Table, the first formal gathering of economists and accountants in the United States for the purpose of engaging in a scientific discussion of the relationship of the two subjects and their future development, might render a signal service to both professions, and to sound business progress at the same time, by inaugurating a movement looking toward the fuller application of economic principles in the formal presentation of the accounts of business establishments.⁸

⁸ The following problem from *Lisle's Accounting*, page 246, has been selected in order to further illustrate the principles above stated. The first solution by the writer of this paper shows, first, the earnings of the establishment as a whole, and, second, the distribution of the earnings to land, to capital, to labor, and to the entrepreneur interests. Owing to the lack of data that would have been available had the books been kept in accordance with the

Problem: The directors of a manufacturing company, before the closing and auditing of the books for the half-year ending December 31, declare out of the net earnings of the company a dividend for the half-year of 4 per cent on the preferred stock of \$40,000, and of 3 per cent on the ordinary stock of \$40,000. There has been brought forward from the last half-year an undivided balance of profit of \$1600, and after the audit of the books the trial balance is found to be as follows:

TRIAL BALANCE AS AT 31ST DECEMBER

Preferred Stock		\$40,000 00
Ordinary Stock		40,000 00
Sales		87,670 00
Bills Payable		10,400 00
Accounts Payable		4,000 00
Profit and Loss Account		1,600 00
Property and Buildings	\$13,000 00	
Plant and Machinery	16,000 00	
Patents and Goodwill	32,000 00	
Stock on hand, 1st July	11,600 00	
Purchases	33,000 00	
Wages	35,200 00	
Coal	2,400 00	
Salaries, general	4,400 00	
" management	2,000 00	
Insurance	350 00	
Repairs	400 00	
Discount and Allowances	2,500 00	
Freight	600 00	
Discount and Interest	300 00	
Cash in Bank	3,200 00	
Investments	6,200 00	
Miscellaneous Expenses	1,720 00	
Book Debts	18,800 00	
	<u>\$183,670 00</u>	<u>\$183,670 00</u>

methods proposed, it has been assumed that the term "property and buildings" includes land and any investment upon it which may properly be included under that title; that "plant and machinery" are capital in the limited sense in which that term is used; that "miscellaneous expenses" are in reality wages and therefore properly included under that head. In the problem and its solution the dollar mark has been substituted for the English pound. Since the company owned the land and furnished part of the capital invested upon it, an arbitrary rate of return has been assumed upon these investments.

The stock on hand December 31 is \$10,600. Prepare profit and loss account and balance sheet from the above, giving effect in the accounts to depreciation at the rate of six per cent per annum on plant and machinery, and an allowance of five per cent on book debts to provide for bad accounts; also create a liability in the balance sheet for the dividends declared as above stated.

The second solution by Lisle, while not drawn up in accordance with the best practice, is a fair example of the usual method of grouping the various items in the ordinary income account and balance sheet.

It will be noticed that the solution by the writer gives all of the information furnished by the usual method and in addition shows, first, what the establishment earns, and, second, the share of the earnings which go to the several factors of production. This would enable the statistician in the course of a few years to prepare exceedingly valuable tables for the guidance of the business manager in directing the affairs of the company.

(2) DISTRIBUTION OF EARNINGS

(1) Dec. 31, Rent : one-half year		(2) DISTRIBUTION OF EARNINGS		To Shareholders 260 00	To Creditors 300 00	Dec. 31, Earnings of Establishment down
\$13,000 00 @ 2%		\$260 00				
Interest on Capital		\$47,180 00				\$46,000 00
		6,200 00				
Less debts		53,380 00				
		14,440 00				
Net capital		\$38,980 00 @ 2½%	974 50			
Interest on debt		300 00			300 00	
(3)						
Wages						
1. General		\$35,200 00				
2. Salaries, Gen.		4,400 00				
3. Salaries Mang.		2,000 00				
4. Misc. Exp.		1,720 00	43,320 00		43,320 00	
(4)						
Net Profits		1,145 00		1,145 00		
To Creditors			43,620 00			
To Shareholders			2,380 00			
■ Total footing		\$46,000 00		\$46,000 00		46,000 00
Dec 31, Dividends on Pfd stock			\$800 00			\$1,600 00
Dividends on ordinary stock			600 00			2,380 00
Undivided earnings					\$3,980 00	\$3,980 00
						Dec. 31, Surplus Earnings to Shareholders

SECOND SOLUTION

PROFIT AND LOSS ACCOUNT FOR HALF-YEAR

To Cost of Goods:—		By Sales	\$87,670 00
Stock on hand, July 1	\$11,600 00		
Purchases	33,000 00		
	<u>\$44,600 00</u>		
Deduct stock on			
hand, December 31	10,600 00		
	<u>\$34,000 00</u>		
To Wages	35,200 00		
To Coal	2,400 00		
To Salaries, general	4,400 00		
To " management	2,000 00		
To Insurance	350 00		
To Repairs	400 00		
To Discount and al-			
lowances	2,500 00		
To Freight	600 00		
To Discount and			
interest	300 00		
To Miscellaneous ex-			
penses	1,720 00		
To Allowance for bad			
debts	940 00		
To Depreciation	480 00		
	<u>\$85,290 00</u>		
To Profit for year	2,380 00		
	<u>\$87,670 00</u>		<u>\$87,670 00</u>
To Dividend for half-		By Balance	1,600 00
year on preference		By Profit for half-	
shares	\$ 800 00	year as above	2,380 00
To do. on ordinary			
shares	600 00		
To Balance	2,580 00		
	<u>\$3,980 00</u>		<u>\$3,980 00</u>

BALANCE SHEET

LIABILITIES		ASSETS	
Accounts payable	\$ 4,000 00	Book debts	\$18,800 00
Bills payable	10,400 00	Less allowance	
Due to shareholders:		for bad debts	940 00
Preference			<u>\$17,860 00</u>
stock	\$40,000 00	Stock on hand	10,600 00
Ordinary		Investments	6,200 00
stock	40,000 00	Plant and	
Dividend for		machinery	\$16,000 00
half-year on		Less 3 %	480 00
preferred			<u>15 520 00</u>
stock	800 00	Property and	
Dividend for		buildings	13,000 00
half-year on		Patents and good	
ordinary stock	600 00	will	32,000 00
Undivided		Cash in bank	3,200 00
profit	2,580 00		
	<u>\$3,980 00</u>		<u>\$98,380 00</u>
	<u>\$98,380 00</u>		<u>\$98,380 00</u>

A DEFINITION OF ACCOUNTING.

J. C. DUNCAN.

The object of this paper is to present a definition of accounting and not a definition of an accountant. In the first place the speaker wishes to call attention to the fact that he does not desire to limit the field of the accountant or the field of the science of accounting. The *Journal of Accountancy* of July, 1906, published an interesting article entitled "The Field of Accountancy", by Professor David Kinley. Professor Kinley sent fifty letters to as many practicing public accountants asking them to define public accountant. He received about forty different replies. In all of the definitions given it is evident that the accountant is expected to do more than one thing. In fact, he is looked upon as a person who has at his command a knowledge of a number of different branches of knowledge, namely, accounting, auditing, and commercial law. For lack of a better term, it seems that the practitioner has selected one branch of his profession to let it indicate the type of service he offers to the community. There would be just as much sense in calling a Certified Public Accountant a Certified Public Auditor as there is in calling him an accountant. A surgeon must know anatomy, physiology, hygiene, pathology, and a number of other branches as well as surgery before he may practice as a surgeon, but the title Medical Doctor means that he has obtained a sufficient mastery of those various branches to be intrusted with the lives of the people in the community.

The profession of General Business Adviser for lack of a better term has selected one branch of the many

services which it offers to the community and uses that branch to designate the entire profession. We cannot therefore make a definition of accounting from the types of services the accountant offers; neither would it be advisable for us to rename the profession, since it has such a distinct meaning in the business world at the present time.

The all-embracing services that the accountant undertakes have brought in their train an extremely vague idea as to what accounting in itself should include, and the examining boards of the various states give as indefinite an idea of the profession as one could hope to find. If we try to make a definition of accounting from the C. P. A. questions set by the various examining boards, we are confronted with a very serious difficulty.

An editorial in the *Journal of Accountancy* for July, 1906, makes the following statement: "It has long been a reproach to the accountancy profession in the United States that the examinations proposed for admission into the profession were exceedingly elementary and in no way comparable with the examinations for admission into the other learned professions. With few exceptions candidates for the C. P. A. degree pass the examinations in commercial law, auditing, and theory of accounts, generally with high marks. Very few, however, pass the examination in practical accounting. The reason for this condition is not far to seek. It is because the first three subjects are generally too elementary to be set as a condition of examination into a profession and because the examination in practical accounting demands of the candidate the working out of puzzles rather than the solution of problems. The problems themselves ordinarily present not the slightest difficulty provided the meaning of the examiners can be clearly determined. Their expression

is generally a matter of taste. A variety of methods are available, of which the examinee selects one, which may or may not suit the examiner."

This criticism, the speaker feels, is an eminently fair one for many state board examinations. In looking over the examinations set by the various states for a number of years past, it seems that many of the examining boards have defined accounting in their own minds as the science of lucky bookkeeping, and the holder of a C. P. A. degree is the lucky bookkeeper who has passed the state board examination. This may keep out of the profession a great number of people, but it is not a selective process and it does the profession no good to make such requirements.

In the first place, bookkeeping should be clearly set apart from accounting. Bookkeeping is the art of recording business transactions according to a logical plan that can readily be interpreted. It begins with the statement of the transaction, and ends when the transaction has been properly journalized and posted to the ledger and tested by a trial balance. Accounting should not concern itself with this division of work, although one must be thoroughly familiar with bookkeeping before he can hope to do accounting. Accounting begins where bookkeeping ends, and is not an art but a science.

A bookkeeper for a business, however, is not thereby strictly limited to making entries for the business and testing them by the trial balance. Unless he desires to become a mere mechanical clerk he should know sufficient accounting to make a loss and gain statement and a balance sheet. But bookkeeping, the art, does stop at the trial balance, because when we get beyond that point we are analyzing and interpreting the recorded business evidence; we are making deductions on a scientific basis.

As the practicing accountant is expected to do more than accounting, so the bookkeeper should be able to do more than just keep books; but that does not affect the scope of the art of bookkeeping nor that of the science of accounting.

George Lisle in his work defines accounting as "The science which treats of the methods of recording transactions entered into in connection with the production and exchange of wealth, and which shows their effect on its production, distribution, and exchange." A little farther on he makes the statement, "Accounting is a branch of mathematics." This attitude on the subject of accounting is open to two objections:

1. Accounting is not a branch of mathematics although we use mathematics to assist us in solving accounting problems. Physics and chemistry use mathematics to assist in establishing their conclusions to an even greater degree than does accounting, yet we should never consider them branches of the science of mathematics. One of the great things which accountants emphasize in good accounting is the complete equation of records. To the speaker's mind the equality should be completed not because it indicates that the accounting is correct from a mathematical point of view, but because it shows both the origin of each transaction and how it has influenced the affairs of the concern, thus giving material for correct analysis by giving us a means of tracing out flaws in entries. One may have very bad, misleading accounting with a balanced set of books, and it would be a poor specimen of an accountant who would accept correct mathematics as a proof of correct accounting. The two following trial balances will illustrate the point that accounting as a science is not a branch of mathematics.

TRIAL BALANCES.

J. Jones		36,000	3,000	36,000
C. Smith		24,000	2,000	24,000
Cash	3,000		3,000	
Real Estate	20,000		20,000	
Machinery	15,000		15,000	
Merchandise	85,000	54,000	85,000	54,000
Furniture & Fixtures	3,000		3,000	
Expense	2,000		2,000	
Salaries	5,000			
Wages	5,000		5,000	
Bills Receivable	4,000		4,000	
Accts Rec.	30,000		30,000	
Bills Payable		3,000		3,000
Accts Payable		55,000		55,000
Total	172,000	172,000	172,000	172,000

Merchandise Inventory \$48,000.

Depreciation—Real Estate \$1,000, Machinery \$1,500, Furniture and Fixtures \$200.

Interest on capital invested and withdrawn 6%.

We take as an illustration a hypothetical case where two men, Jones and Smith, are partners doing a certain business, and another man, Brown, offers to buy one-half interest in the firm on the following terms:

(1) He will invest as much capital as the combined net worth of Jones and Smith in the business at the end of the year.

(2) He will give in addition, for good will, to Jones and Smith twice the profits of the past year.

(3) In determining loss and gain the following depreciation charges shall be made,—Real Estate \$1000, Machinery \$1500, Furniture and Fixtures \$200.

(4) In determining loss and gain the business must pay six per cent interest on all capital invested and the partners must pay to the business six per cent interest on all capital withdrawn.

If the partners, Jones and Smith, know of Brown's intentions at the beginning of the year, several methods might be used in keeping the books, two of which are

tested by the trial balances above and are found to be mathematically correct. In the first case Jones and Smith have paid themselves \$3000 and \$2000 salaries respectively for running the affairs of the concern, and have counted those salaries as part of the cost of production. Under the circumstances the loss and gain account shows that the business has lost money.

No. 1

LOSS AND GAIN.

Cost of Goods	85,000	Sales	54,000
Salaries	5,000	Inventory	48,000
Wages	5,000	Loss	1,300
Expense	2,000		
Depreciation			
Real Estate	1,000		
Mach.	1,500		
Fur. & Fix.	200		
Interest			
Jones' Cap.	2,160		
Smith's Cap.	1,440		
	3,600		
	<u>103,300</u>		<u>103,300</u>

BALANCE SHEET.

Assets		Liabilities	
Cash	3,000	Bills Payable	3,000
Bills Receivable	4,000	Accts Payable	55,000
Accts. Receivable	30,000	Interest	3,600
Merchandise	48,000	Capital	
Real Estate	19,000	Jones	36,000
Machinery	13,500	Smith	24,000
Furniture & Fixtures	2,800		60,000
Loss	1,300		
	<u>121,600</u>		<u>121,600</u>

In the second case each partner adopted the fiction that he gave his services to the concern and withdrew from his capital \$3000 and \$2000 respectively, thus diminishing his capital by the amount withdrawn but in no way affecting the loss and gain account, save to add interest to the extent of \$300 to the gain side. The records show, however, a considerable profit.

No. 2

LOSS AND GAIN

Cost of Goods	85,000	Sales	54,000
Wages	5,000	Inventory	48,000
Expense	2,000	Interest	
Depreciation		Jones Withd.	180
Real Estate	1,000	Smith's Withd.	120
Mach.	1,500		300
Fur. & Fix.	200		
Interest			
Jones' Cap.	2,160		
Smith's Cap.	1,440		
Gain	4,000		
	<u>102,300</u>		<u>102,300</u>

BALANCE SHEET

Assets		Liabilities	
Cash	3,000	Bills Payable	3,000
Bills Receivable	4,000	Accts. Payable	55,000
Accts. Receivable	30,000	Interest	3,600
Merchandise	48,000	Capital	
Real Estate	19,000	Jones	33,000
Machinery	13,500	Smith	22,000
Furniture & Fixtures	2,800	Gain	4,000
Interest	300		
	<u>120,600</u>		<u>120,600</u>

If Brown accepted the equation of the accounts in the second case and the conclusions reached from them by the correct mathematics, he would be paying a steep price for his own ignorance and the other men's rascality.

2. The other objection to Lisle's definition that may be pointed out is that while it states in a general way what accounting should include, it is open to the defect of a narrow interpretation in that it regards accounting as a species of advanced bookkeeping. For quite a while the writers on accounting have taken the narrow interpretation and have regarded accounting as the science which relates to the proper classification of the receipts and expenditures of a business in such a way that the owners may determine the losses and gains and assets and liabilities of the enterprises under consideration. The works

of Lisle, Dicksee, and almost every other writer on the subject have confined themselves more than they should to this restricted phase of the question, and, as a result, we find that there is a tendency on the part of most people to regard accounting in a more narrow light than it should be regarded.

Professor Cole in his recent contribution calls attention to a phase of accounting which, it seems to the speaker, should be emphasized very much more strongly than it has been in the past. A chapter is devoted to the subject entitled "The Place of Statistics in Accounting." In the chapter he points out the value to the manufacturer of gathering and arranging information which does not show directly in the loss and gain account and balance sheet, but which at the same time is exceedingly valuable to the management of the concern in revealing the efficient and non-efficient parts of its organization.

If we consult authorities on statistics, we find that statistics is defined as the science of counting. It is the science which deals with the collection and interpretation of numerical evidence in order to arrive at definite conclusions concerning economic and social phenomena. Murray in his great dictionary defines accounting as "The action or process of reckoning." It is derived from a French word which has in turn been derived from a Latin root, *comput*, meaning a reckoning or counting. From the bare definitions note the similarity of the subject matter of the two sciences, statistics and accounting. Both are sciences of reckoning.

It may seem a little startling to call accounting a statistical science, but as a matter of fact, do we not, either consciously or unconsciously, apply statistical methods in pursuing accounting work? A loss and gain account and a balance sheet are really tables in which are classified

financial data of an enterprise for the purpose of determining certain conclusions about the business. We call the gathering of cost data and other information relating to the efficiency of the plant the collecting of plant statistics. If that is gathering and keeping plant statistics, is not every entry on the other books, whether a purchase or a sale, bills payable or cash payment, or whatever it may be, the keeping of financial or commercial statistics of the business?

Every business has two sides which may be considered the financial and managerial sides respectively. The financial side of a business includes all the transactions which arise between:

1. The firm and stockholders, or between partners;
2. The firm and debtors;
3. The firm and creditors;
4. The income and expenditures of the firm;
5. Its losses and gains;
6. Its assets and liabilities.

The managerial side of the business includes all transactions which arise between:

1. The various departments which produce or sell goods, including the cost of goods both as a whole and by departments.
2. The firm and its employees.

On the financial side the owners of the concern are interested in the sums of money the enterprise is making or losing. On the managerial side they are interested in how it is being made or lost, what is the efficiency of the concern, and how they can further economy in production.

Accounting is the science which shows how to make the records which will tell the financial status of the business, and which shows also the efficiency of departments

and of its employees. It is the science which enables you to determine how losses like depreciation and other things should be distributed. It is the science which enables you to determine the costs of manufacturing goods both as a whole and in each step in the process. It is the science which enables you to compare different methods in carrying on the business so that the officials can determine their policy in management. It does not, however, consider the problems of industrial management and organization. It shows quickly and accurately how different policies in organization and management affect the earning power and productive capacity of the enterprise. In its broad aspect it is a statistical science which tells how to make records and which gets into and shows up the workings of all parts of the concern both financial and managerial. It is the barometer of the business.

A definition which would include all these points and at the same time prescribe its limitations might be expressed as follows: Accounting is that science which treats of the methods of recording transactions in business, and interprets the statements recorded in books and documents so that the layman may have a clear conception of the exact financial and managerial standing of the firm or enterprise both in parts and as a whole.

THE PRESENT POSITION AND PROBABLE DEVELOPMENT OF ACCOUNTANCY AS A PROFESSION.

J. E. STERRETT.

Every important interest or movement presents itself to the serious thinker in the twofold aspect of past and future—history and prophecy. Only through a knowledge of the first is the second possible; only through an interest in the second does the first assume its rightful importance.

I propose to direct your attention briefly to the subject of accountancy in the light of these two aspects, that we may find what it now stands for and also, if possible, gain an insight into what it may become if proper efforts are directed toward the evolution of higher professional ideals.

In the first or historical aspect, it may be said that while accountancy as a distinct profession in the United States is of so recent a development that it may be said to have scarcely any history, yet on the other side of the Atlantic, particularly in Scotland, it has been recognized for more than a century as a distinct and honorable calling; and for over half of that time Scottish societies have demanded a training upon the part of candidates for admission equal to the education required in law and in medicine.

In England, while of a somewhat later growth, accountancy has made rapid strides. In the two great societies now existing there are at least five thousand accountants

who may be said to be in active practice. In addition to this many have gone out to the British colonies, while still others, trained in England or Scotland, have come to our shores and, in not a few cases, have become leaders in the profession in the United States.

Prior to twenty years ago the public accountant was in no true sense a factor in American business life. Indeed, it would not be far wide of the mark to apply this statement to a period within ten years, during which the work of public accountants has at least quadrupled, if indeed it has not increased ten-fold. Without boasting, this fact must be recognized in considering present conditions, for obviously the pressure that has been put upon individual accountants during these recent years has not favored the development of a high type of professional life. While this acknowledgment does not justify certain present conditions, it does at least explain why they exist, if it does not to some extent excuse them.

In its legislative development accountancy has followed the general trend of that of the medical profession some years ago. Thus far, the legislation that has been effected merely provides for recognition and also sets up prescribed standards, which, when attained by the applicant, permit his using the title of Certified Public Accountant, or its distinctive initials, C. P. A. This usage guarantees to the public that certain requirements have been complied with. Earnest efforts are being made to raise these standards to a higher level with an approximate uniformity among the states. Anyone who so desires and who can find clients to patronize him is at liberty to practice as a public accountant anywhere in the United States. It is, however, altogether probable that within a short time restrictive legislation will be secured under which it will be necessary for all those who wish to prac-

tice to conform to reasonable standards of education and training.

In Great Britain, because of the standing of accountancy as a profession, young men of good family and with a college or university education are attracted to it in large numbers. Before being permitted to practice as a chartered accountant, however, these men must pass through an articled clerkship of from three to five years, during which time they draw no salary. Moreover, they usually pay a premium of from a thousand to twenty-five hundred dollars before being articled. After passing their preliminary examinations they must succeed in an intermediate and in a final examination. These tests cover not only accounting in the ordinary sense of the term, but also require a good knowledge of mathematics, economics, and at least one modern language.

In America the articled clerk system does not exist. A young man coming into the profession here can either enter the office of an accountant as a clerk on a salary, or he can secure part at least of his theoretical training in one of the university schools. These schools are of such recent origin that it is yet too early to determine just how useful a purpose they are going to serve in the development of accountancy, but the attitude of accountants generally toward them is that of hopeful anticipation. That they have not yet provided a form of training that has been wholly satisfactory to accountants is doubtless due at least in part to the difficulty of securing instructors who understand something more than the most elementary features of accountancy. It would hardly be expected that a medical school could attain high reputation with a faculty composed of men who, however great their knowledge in allied fields, were possessed of no hard earned experience in the diagnosis and treatment of dis-

ease. It is to be hoped, therefore, that the university schools may not be manned entirely by instructors who have only a theoretical knowledge of accounting practice. This point is vital, and any school failing in it is likely to prove disappointing to the institution with which it is connected and to the profession which it aims to serve.

In spite of the lack of orderly means of training, the public accountant has attained in this country a position of considerable importance. The intelligent business man of today knows what a public accountant is, and has a fairly clear notion of what he does.

Corporations of the better class here are of their own volition rapidly adopting a practice long established in England (which has become obligatory under the Companies act of 1900), and are retaining public accountants to make periodical audits. Such corporations usually publish a certificate signed by these auditors, testifying to the integrity of the accounts issued to the investing public. Within very recent years this practice has made such headway that the present rate of increase will shortly place in an apologetic position those corporations that do not adopt the practice.

Thus, in the audit of accounts of corporations and others, in the investigation of properties for prospective purchasers, in the organization and installation of accounting systems and in the revision of business methods, the accountant of today finds himself in a position where he not only has the favorable opinion of the business community, but finds in his work a constantly enlarging sphere of usefulness.

Turning next to the more speculative, and perhaps more interesting, division of my subject—the prophetic aspect—let us attempt to investigate the probable development of this youngster that has landed in a somewhat

rough-and-tumble fashion in our midst. It would seem as though three courses are open, along any one of which it might be possible for accountancy to develop.

First, after the manner of the age, it might merge with other existing professions, or with parts thereof, to form a composite profession including, perhaps, certain classes of work now conducted by engineers, and possibly also absorbing certain kinds of work now carried on by the legal profession, and also taking up the burden of that somewhat shadowy individual, the business adviser.

It is reasonable to presume that the successful engineer of the future will have a more comprehensive knowledge of accounts and accounting practice than had his brother of the past; and the lawyer, too, is finding that his practice often takes him into the field of accounts, of which he can no longer afford to be ignorant. It is hardly likely, however, that either of these professions will seriously attempt the difficult task of riding two horses at once. It is much more likely that both will assume toward accountancy the attitude now adopted by the best accountants toward engineering, and particularly toward the law. An accountant in active practice needs to have a fairly comprehensive knowledge of those branches of legal knowledge commonly known as commercial law. This knowledge, however, does not in any way interfere with his relations with the legal profession, and his knowledge of the law only enables him to coöperate more fully with his legal brother in a common effort to attain the ends of equity and justice. Friendly coöperation rather than combination would seem to be the logical development of engineering, law, and accountancy. Each of these professions has within it ample ground that is individual and distinctive, although in company with all other classifications of human knowledge and activity

there are of necessity certain points of contact where one merges in the other.

The so-called business adviser, as a distinct entity, is scarcely yet a concrete proposition, and it is hardly conceivable that he will attract much serious attention in the near future. Advice will be sought by the business man according to his needs from all the professions, and with the present development the ground seems to be so covered that there is little room for another specific profession unless it is to supplant some one of those already in action. Neither the need nor the probability for this exists today, and discussion of it is little worth while.

Granting, then, that accountancy is to retain an independent existence, some would urge that its largest usefulness will be attained by specialization. That is to say, certain members of the profession will devote all their attention, for instance, to banking, and will thus become deeply versed in not only the accounts of banking institutions but also familiar with all the mysteries of fiscal operations. Others, again, will find their field in the foundry or in the machine shop, where they will familiarize themselves with industrial processes and the means of creating and maintaining the most effective forms of organization, as well as the most simple and yet most comprehensive methods of accounting for these classes of business activity.

Still others may specialize in the organization, administration, and accounting of our great department stores. So on through the list some would have us see the accountant of the future turning away from general practice to the less extensive but more intensive work of the specialist. In some ways this is an attractive vision. The human mind does reverence to the man who has chosen to limit the breadth of his field to pursue it to unlimited

heights and depths,—whatever that study happens to be.

These forms of specialization, however, exact their own penalty. It is the rare man indeed who can at once maintain intensity and breadth of vision, and it is at least an open question whether professions in which specialization has been carried farthest, as in medicine, have found it an unmixed blessing. Is it not a matter of common knowledge that the health, even the life, of many a patient has been imperilled by the severe specialist who, enamoured with his own little branch of medical science, has failed of that larger vision that would have detected contributing causes of first importance?

Two factors seem to militate against a high degree of specialization in accountancy. One is the fact that "business" is a large and complicated concept, and, although at first blush it would seem as though this were an argument in favor of specialization, it is nevertheless true that the business man has to entertain this concept, and anyone who is to be of any but minor assistance to him must be able to approach a problem with a more comprehensive knowledge than a specialist can hope to bring to bear upon it. Much of the work that has occasionally brought discredit upon accountancy in the past has been the result of a lack of intelligent appreciation of the larger underlying principles involved. It is a relatively easy thing to devise ways and means of dealing with small sections of a problem, but, unless these be coördinated with other sections to which they bear a more or less intimate relation, the practical operation of the whole will be retarded rather than forwarded. Knowledge gained through an audit is frequently of the highest value to the accountant in devising a system of accounts or records: and experience in one branch of business is often extremely useful if not absolutely necessary for an accountant to

deal satisfactorily with the affairs of other types of business.

Another important factor working against a highly developed type of specialization is the extensive organization required in an accountant's office. There are, of course, many men who are practicing alone, but even these, if their practice is of any moment, find it necessary to maintain staff organizations that are out of proportion to those required in most, if not all, other professions. The tendency of the times is, moreover, strongly towards the larger organizations found in firms made up of a number of partners and carrying large permanent staffs of trained assistants. Further than this such firms find it necessary to maintain offices in perhaps a number of different cities. All this makes specializing difficult even though such specialization were considered desirable.

If, then, accountancy is not to lose its existence, and is not to split up into a number of camps, what, it may be asked, has the future in store? In answer to this, and while denying most positively that the accountant is to become a narrow specialist, it may be frankly conceded that there are two phases of accounting work, each presenting some distinctive features. One is analytic as typified by the audit and the examination; the other is synthetic or constructive, instances of which are found in the construction and installation of cost and other systems of accounts.

It is quite probable that some division along this broad line will take place. Some accountants, or accounting firms, will find their largest field of usefulness in constructive work, while others will build their reputation mainly upon audits and investigations. Many others, however, will undoubtedly combine these functions and will continue a general practice even though a certain

amount of specialization may be maintained in the firm or in the staff. The standardization of accounting classifications and methods will have a tendency to reduce the volume of constructive work, although it is probable that the growth in business and the generation of new ideas will more than counterbalance this contraction. So it is likely that for many years to come there will be a profitable, although ever difficult and vexatious, field for the accountant in devising and installing accounting systems and reorganizing business methods.

A very large development is almost certain to come in the near future in the matter of annual or at least of periodical audits of the accounts of corporations and others. It should be remarked in passing that the public generally in this country does not appreciate the real meaning of the term audit as used by accountants. The average man is likely to conceive of an audit as a checking over of vouchers and the comparison of entries in the books with various sorts of original data and in this manner ascertaining the mathematical accuracy of the records. It is true that this is one form of an audit and commonly known among accountants as a detailed cash audit. It has and will continue to have a certain degree of usefulness, and will be employed more or less extensively in dealing with the accounts of smaller business organizations. In auditing the accounts of a large industrial corporation or of a trunk line railway, it is obvious that this method of procedure would entail a volume of work that would be prohibitive and would produce results in inverse ratio to the time spent upon the work.

Time does not permit of an adequate discussion of the principles involved in the audit of the accounts of a large corporation, but, briefly speaking, attention must be directed mostly to the preparation of the balance sheet. If

from year to year the balance sheets presented by a corporation are correct, it follows as a matter of course that the true profit and loss for each period is revealed, so that therefore the whole case rests upon the integrity of the balance sheet. Have the assets been properly valued? Has sufficient allowance been made for maintenance and depreciation? and for possible losses through bad debts or otherwise? Are the current assets properly classified so that an intelligent opinion can be formed as to their probable realization? Are all of the liabilities included, or is there perhaps a large volume of liabilities of underlying companies that are not revealed upon the general balance sheet? These and many others are questions that present themselves, and are often of a most difficult and highly essential nature.

It must be borne in mind that a balance sheet of any large corporation is not a statement of facts that can be demonstrated with mathematical accuracy so much as it is an expression of an honest and intelligent opinion. In this expression of opinion the public accountant is now being recognized as an authority, and what is being widely done through the voluntary action of corporations that desire to deal fairly with their investors will doubtless become a legal requirement, and before many years the independent audit of all corporations offering their securities to the public will be firmly established.

With this, or possibly preceding it, will also come a civil liability on the part of the accountant for the faithful and diligent performance of his duties. As yet there are no decisions in this country upon the question of the liability of an auditor, but under the English law his liability, both civil and criminal, is pretty well established. A case in point was one in which two fairly prominent chartered accountants had been auditors of a

bank for a number of years, and had failed to disclose frauds that had been practiced by the officers of the institution; and upon the failure of the bank the auditors with the directors were, after trial, imprisoned at hard labor. In another leading case it is generally understood that a firm of accountants effected a settlement by paying £60,000 rather than take their chances with a jury. Civil liability on the part of the accountant is, I believe, certain to come in this country, and while each member of the profession may well pray that the offense shall not come by him, it is nevertheless true that the effect of a clearly defined civil liability will be salutary. It will give confidence to the business public in the accountant's certificate as nothing else will do, and while the best accountants to-day recognize their moral responsibility quite as much as it will ever be necessary for them to recognize any legal responsibility, the knowledge that a civil and possibly a criminal liability attaches to them will deter the careless or the indifferent.

Accountancy, then, is not to be a thing of shreds and patches, but will, if those in whose hands its fortunes are entrusted fulfill their part, expand along the lines upon which it is now operating, growing in dignity and power until it will stand shoulder to shoulder, in the estimation of the public, with those older professions whose courses have been a laborious evolution of years and centuries. Accountancy will offer within itself a field for the exercise of widely differing talents, and while the individual members will vary in their scope and methods of practice, they will still be in the true sense of the term and will ever take pride in being called accountants.

In an hour when complaints are heard on every side that the law is crowded, that the young man entering

that noble profession has years of labor and of waiting before he can hope to gain renown, and when the same cry goes up from other professions, may we not well suggest to the young man aspiring for professional honors that accountancy affords an adequate field for trained minds and willing hands, and offers inducements, financial and otherwise, that are largely in excess of those attainable in any but exceptional instances in the older professions?

ROUND TABLE ON ACCOUNTING—DISCUSSION.

B. M. RASTALL: I have been asked to remark upon the place for accounting in the university curriculum.

In considering the claims of a new subject it is always enlightening to consider it in relation to kindred fields and so by comparison to fix its place in the general field of study. Accounting is closely related to the mathematical sciences, resembling and paralleling in a great many ways the science of geometry. Like geometry it rests upon a few fundamental principles (axioms) from which the whole structure in all its ramifications is deduced by logical processes. It has the same type of close reasoning from cause to effect with the possibility of definite, logical result. It exceeds geometry in the extent to which the mastery of its processes and extensive practice in the application of its principles opens the way to new concrete developments, short cuts, and the general fitting of ends to means. Like geometry its methods and results are open to the widest criticism and will be given permanent form only at the end of long controversy.

I may say in brief that I have no sympathy with the opinion that accounting is a subject of doubtful university grade. It has the sound claim to a position in the field of science that we have just noted. To be sure elementary accounting can be compared disastrously with advanced mathematical courses or the higher courses in any other science. But if it be compared with beginning courses in language, or commercial geography, or elementary economics and history, as admitted to university

standing, it will not suffer thereby. And the problems involved in higher forms of expert accounting, such as those of the Interstate Commerce Commission reports, auditing and public accountancy, place the field upon a par with the most advanced courses of mathematics or other science.

The paper just read would indicate that the speaker considers statistics a part of accounting, and the two subjects are at least of very close association. The problems involved in statistical work are certainly not of a higher order; the work does not represent so broad or far-reaching a field; its personnel is not of a higher rank. Yet the study of statistics has occupied an undisputed place in the university curriculum for years. Why, then, the question of accountancy?

The importance of accounting in the economic field and to the world at large is becoming more clearly recognized every year. The university should not lose the opportunity to develop and broaden such a field into a complete science for human usefulness.

A. M. SAKOLSKI: In the matter of the relation between economics and accounting, may I not point out one illustration of the lack of harmony between the two sciences? It has long been a fixed principle of accounting, both in theory and practice, that no appreciation in the value of assets can be taken into account unless such appreciation is realized as the result of a transaction, whereas depreciation, especially in the valuation of floating assets, is held to be a definite loss and is a charge against the profit and loss of the business. Does not this principle whereby assets are valued "at cost or market value, whichever is the lowest", have its origin from the fact that accounting is not only a mathematical science,

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but is also a practical science, and, unlike economics, must adjust itself to business practice? It records values in relation to individual concerns, and these records, to be valid, must show tangible results on the basis of which the proprietors or directors can take definite action, such as the payment of dividends, etc.

Economics, on the other hand, deals with values as "social phenomena", and to express such value in terms of actual money cost to individual concerns is almost meaningless. Moreover, the conception of profits as increments of value resulting from business transactions is also foreign to the teachings of economics, inasmuch as here value is "exchange value" and is the expression of an equation of sacrifice or of utilities.

It seems to me that an attempt to harmonize completely the principles of accounting and economics as now commonly taught must result in considerable change in the latter, since accounting, being the outgrowth of business demands and conforming strictly to modern business practice, cannot arbitrarily be made to undergo changes in methods and principles without seriously interfering with its usefulness. If, for example, you attempt to "write up" for appreciation in the same manner as depreciation is "written off", there is grave danger of confounding a surplus available for dividends with a fictitious surplus due merely to the revaluation of assets. The latter is nothing more than a "paper" profit determined by the judgment of proprietors, accountants, or some other persons, and is based upon circumstances extraneous to the business without in any way changing the identity, form, character, or efficiency of the assets. To counterbalance such profits by reserves serves no practical purpose from an accounting standpoint other than to mislead the investing public by an unduly large showing

of total assets. The value represented by appreciation, however, from the standpoint of society, is of as much importance as any other form of wealth including intangible values, such as efficiency of organization, good will, etc.

LEON BRUMMER: It appears to me that the future development of the profession of accountancy is dependent upon the progress of accountancy education, accountancy legislation, and accountancy popularization, but principally upon the educational feature. That economic associations have recently given attention to the discussion of this subject, and that the universities are now earnestly considering same, means very much to the profession. It means that this profession will be carefully studied, and that all which is of real value will be unfolded. If the recent growth of accountancy has been due to the necessities of the business world, how much greater will be the growth if we call to the aid of this young profession the experience which has been acquired in the upbuilding of medicine, law, and other professions. The absence of a proper school of accountancy in this country has long been a great weakness; we have no acknowledged authorities on many points of principle and on many points of practice. Notwithstanding that even after the establishment of proper schools there will be differences of opinion in both principle and practice, these differences will then have more opportunity of being intelligently debated and adjusted. There can be no learned profession if there is no institute of learning; and if accountancy is worthy of being associated with the other professions, it must be developed along lines scientific as well as of every day use. I quite agree with Mr. Sterrett in his remarks relative to the necessity of

securing instructors who are actually in practice, and am also of the opinion that without such instructors the schools will prove unsatisfactory; but it must be remembered that most of the men now in practice are not capable of developing the profession from the university standpoint, and in that regard I reiterate that it is most fortunate that the subject is being recognized by the universities and is having the benefit of their guidance.

Legislation is necessary for the advancement of the profession, only so that the community may be protected from the unskilled person posing as a professional accountant. It is fair to assume that such legislation will be forthcoming as soon as the professional accountant by reason of his education, training, and proved integrity, has demonstrated his superiority and his necessity. Thereafter, further laws will be enacted requiring his protecting skill and judgment in matters of public interest, such laws clearly defining the field which shall be exclusively his.

The popularization of accountancy is entirely in the hands of the accountant. If, as a class, he will raise his work to the very highest standing, and will actually demonstrate to the public his integrity and his fitness for the scientific work which he undertakes, popularity will soon follow; and with this popularity will come all needed legislation and an expansion of his field of usefulness. But his employment must be so conditioned that he may solve with untrammelled freedom the problems which are presented to him; nor should there be possibility of his opinion being made subservient to the views of an employer, by reason of a possible cessation of his retainer on account of justifiable adverse criticism.

We therefore require, first, a profession developed along educational lines; second, legislation encouraging

students by reason of the usefulness to which the accountant may attain; and, finally, the accomplished results of the accountant which will convince the community that the professional accountant has a well defined sphere in the world of today.

O. M. W. SPRAGUE: I suggest that a distinction might perhaps be made between an advance in land values accompanied by a consequent increase in earnings; for example, a corporation constructing and owning buildings, and an advance in land values which might have no direct relation to earnings; for example, the land occupied by railway terminals.

SIMON LITMAN: The papers of my colleagues, Professors Robinson and Duncan, are full of valuable suggestions and of interesting information as to the relation between accounting and economics, the nature and functions of accounting, and the place accounting occupies amongst other sciences. I should concur with all that they have said, were it not for certain statements which disagree with my conception of the science of statistics.

Professor Duncan states definitely that accounting is a statistical science. I admit that accounting deals with intricate numerical problems and that it approaches these problems with the modern spirit of scientific inquiry; I admit also that accounting is based upon the knowledge of the methods of classification, and that one of the main characteristics of both the statistician and the accountant is a power to analyze data and to present the results clearly.

Both statistics and accounting deal with figures; nevertheless, accounting is not a statistical science, because it does not study group and mass phenomena and does not

attempt to detect and to state tendencies and regularities in our social life. This study of group and mass phenomena is the object of statistics. Professor Duncan defines accounting as "a science which treats of the methods of recording transactions in business and which interprets the statements recorded in books and documents so that the layman may have a clear conception of the exact financial and managerial standing of the firm . . . "; in this definition he defeats his own contention that accounting is a statistical science. When we cease dealing with a single enterprise, be it a small store, a large corporation, or a municipality, and when we begin to group similar business undertakings in order to study the relations between capitalists, landowners, entrepreneurs, and laborers, we are doing statistical and not accounting work. The statistician of today may find for many of the problems confronting him help and inspiration in the labors of the accountant, just as the accountant may be guided in many of his pursuits by the work of the statistician; but there is, to my mind, a definite demarcation line between the two sciences.

I agree with Professor Duncan that accounting is not a mathematical science, but, it seems to me, he has not made his contention sufficiently clear. He leaves the listener under an impression that an answer numerically correct necessarily implies correct mathematics, which is wrong. In mathematics, just as in accounting, we may arrive at a correct numerical result by incorrect methods. The reason why accounting is not a mathematical science is the following: in the problems investigated by the accountant we may reach a correct result by a number of mathematically correct methods, which, however, from the point of view of a business proposition would be dubious or fraudulent. The criterion of accounting is

not mathematics, but a combination of correct mathematics, business ethics, and other factors.

Professor Rastall in the course of his remarks on accounting made a statement which, I think, should not go on record unchallenged. He says that we ought not to combat the introduction of elementary accounting into our colleges and universities, because we have on our programs a number of subjects in no way superior to elementary accounting; to illustrate his views, he cites elementary French or elementary German.

Without entering into the discussion of the desirability or non-desirability of introducing elementary accounting, I most seriously object to its introduction on the ground that we have other elementary courses. Let us ask ourselves the question whether an increase in the number of such courses is wise or not. The fact that we are teaching our students that the German for *table* is *Tisch*, or that the French for *chair* is *chaise*, is not a valid justification for burdening the curricula of our institutions of advanced learning with similar elementary studies. I think that, so far as is practical, we should strive in our universities rather towards the elimination of elementary courses than towards their further increase.

SOME FUNDAMENTAL DISTINCTIONS IN LABOR LEGISLATION.

H. W. FARNAM.

In the scholarly presidential address, which he delivered a year ago at the first annual meeting of this association, Professor Ely dealt with the relations of labor legislation to economic theory. He showed that most of the early economists were on principle opposed to legislation which seemed to them to be a futile interference with economic laws, but that their successors gradually changed their views, until at the present day there are very few who would condemn labor legislation as such. If, however, we no longer hold that all labor legislation is unscientific and futile, neither do we believe that all that goes under that title is scientific and effective. Still less do we believe that everything that is demanded in the name of labor is going to accomplish what is expected of it, even when we approve of its general aim. And while the doctrine of *laissez faire* no longer ranks as an infallible principle of state-craft, it may still serve the useful purpose of the slave who stood behind the triumphant Roman general to remind him that he was still a man. We, too, need occasionally to be reminded that, though legislation has accomplished much, it has also frequently failed; that it is very apt, even when successful, to produce unexpected results; and that we cannot be too careful to study with all of the statistical and administrative material at our disposal the complex operation of past laws before advocating new ones. We prefer to let evils work their own

cure, if they can, and we must always balance the "ills we have" against those "we know not of." We have thus reached the point at which the emphasis should be laid, not on negation, nor on agitation, but rather on discrimination.

The general term labor legislation embraces at the present day a heterogeneous mass of enactments which impinge upon the individual in very different ways, and which really fall into three quite distinct classes, if we group them with reference to their immediate bearing on economic processes.

In the first class, which is also the oldest, we have what is commonly termed labor protective legislation. Familiar types are laws limiting the age of employment of children, limiting the hours of employment, prohibiting certain kinds of employment to women or children, requiring the use of safety appliances in connection with machinery, limiting migration, etc. They determine the conditions under which labor must be performed, but do not directly affect the terms of exchange. They operate like dykes, which confine a river to a certain bed but do not change the flow or general course of the water.

In the second class we have legislation which aims not so much at excluding certain unfavorable conditions of labor as at the direct bestowal of pecuniary benefits. This legislation may not inappropriately be called distributive or positive legislation. Compulsory insurance laws which require the employer or the state to contribute a part of the funds would come under this head, as well as employers' liability laws, old age pension laws, laws providing for the fixing of wages by wage boards or compulsory arbitration, etc. These laws require certain positive contributions on the part of the public, the employer, or the wage receiver, or of several of them combined. They

directly affect the terms of exchange by supplementing or modifying the wage contract.

In the third class we have legislation which is designed to encourage or promote certain institutions, but which neither contains a prohibition nor an injunction, and may therefore be called permissive. Most of these laws in their application to labor involve the use of certain forms of self help. In this group we should include, therefore, laws permitting and regulating labor organizations, benefit societies, coöperative associations, voluntary arbitration boards, joint boards for collective bargaining, etc.

The attitude of the law-giver towards the citizen in these three classes may be tersely expressed as follows: laws of the first class are mainly prohibitive and say "thou shalt not;" laws of the second class are mainly mandatory and say "thou shalt;" laws of the third class are mainly permissive and say "thou mayest."

It would carry us too far to attempt any statistical study of the way in which the laws of these three classes have operated in practice, but their influence upon economic forces may be explained by an analogy drawn from another and less debatable department of economics. While on many topics economists are still at variance, the experience of the world in dealing with money has been so long, and it has been the subject of such careful study, that, in spite of differences of opinion regarding certain points of monetary policy, there is a pretty general agreement regarding the laws of monetary circulation. One of the most important aims of all monetary legislation is to establish a definite standard of value. For centuries the world's standards were steadily deteriorating. For many years after Sir Thomas Gresham had formulated his famous law, according to which bad money drives out good money, no means had been discovered of coun-

teracting what seemed to be an inevitable law of monetary degeneracy. Just as soon as one metal depreciated in value, just as soon as the government issued coins of light weight, or dishonest people sweated or clipped the coins, the inferior coins tended to remain in circulation, while the better ones were melted down or hoarded. The competition of those who had money to sell,—that is, who wished to buy goods, —took the form of offering the poorest money that the other party to the bargain could be induced to accept. Gresham's law was, however, not an inevitable law of nature. Like all economic laws it expressed a tendency; therefore, it expressed what will happen under conditions favorable to that tendency. It did not say that the tendency could not be neutralized by changing the conditions. And as soon as the government decreed that coins below a certain weight and fineness should not be received as legal tender, and provided for the retirement of light coins, the profit on using cheap money disappeared. The question was no longer, how bad a coin can be palmed off for a certain kind of merchandise, but how much merchandise shall be given for a standard coin.

Now there is a close analogy between the condition of things in the world of money down to the end of the eighteenth century, and in the world of labor during a good part of the nineteenth. In the wholesale and impersonal demand for labor which grew up with the factory system there was a natural tendency to employ those who would work for the longest hours and at the lowest wages. The result of employing this cheap labor was in the end to also make labor less efficient, and therefore worth less to the employer. It was practically impossible for the individual to fight against this tendency. An employer who deliberately paid higher wages in the

expectation of getting more efficient labor was in the position of a person who should endeavor to raise the standard of the coinage by always paying out the best instead of the poorest coins that passed through his hands. He would have his trouble for his pains, and others would reap the benefit of his liberality. When the laws were passed against child labor, limiting the hours of employment, limiting the age of employment, etc., and enforcing them by inspection, a new standard was created. The buying and selling of labor did not cease. The demand and supply acted as before. But the conditions under which they acted were changed. A child of ten years was no longer legal tender in the labor market. A day of thirteen hours was no longer a legal standard of time wages. The government did for labor what it had done for money, by providing that certain kinds of service should be as illegal as certain kinds of money were. The intervention of the state established a standard, changed the conditions of competition, and made it impossible for the employer to employ labor below a certain grade.

Labor laws of the second class, which I have designated as "distributive", also have their analogy in monetary legislation. Just as the monetary standard has sometimes been changed in order to benefit a certain class, especially to bring about a redistribution of wealth between debtor and creditor, so most of these laws endeavor to bring about a redistribution of wealth either between employer and employed, or between present and future income. If the government, for instance, issues paper money which is worth only ninety per cent of its face value, the debtor gains a hundred dollars on every transaction of a thousand dollars. Just so a law providing for compulsory insurance at the expense of the employer vir-

tually says: whenever you owe \$1 in wages you are obliged to pay not merely the \$1 stipulated, but \$1 plus a certain percentage needed to pay for the cost of insurance. Now while changes in the value of money which are brought about by unforeseen variations in the value of the metal may produce beneficial effects, history has taught us the danger of changes which are made deliberately with the intention of helping one class at the expense of another, and the history of labor legislation likewise shows that such a danger is inherent in all legislation of this kind. The danger is not great enough in all cases to condemn it. But there is always a risk of demoralizing the class supposed to be benefited in any law which produces a gratuitous distribution of property, unless carefully guarded against abuse. This danger is seen in the inheritance of millions by an irresponsible heir, in the marrying of millions by a conscienceless fortune hunter, in the subsidizing of industry by a protective tariff, no less than in lavish poor relief and in the transfer of wealth by law to the working middle class. All such laws are exposed to a danger not found in laws of the first class, which involve primarily a restriction rather than a privilege.

Labor laws of the third class also find their analogy in monetary legislation. Laws providing for the chartering of banks are here the counterpart of laws providing for the organization of trade unions, coöperative societies, and voluntary arbitration boards. A national banking law does not necessarily create national banks. National banks exist only if there are enterprising capitalists who desire to organize themselves under the law. For the same reason a law permitting the existence of trade unions does not necessarily lead to their formation. No unions will be formed, unless there are people who can command

the intelligent leadership and interest needed to organize them. The form, too, which they take will depend upon the national character, the economic and social habits, the prejudices, and even theories of those concerned. Hence we see that labor unions have taken one form in England, but quite different forms in Germany, and still different forms in France.

In distinguishing these three types I do not mean to assert that they are always kept perfectly distinct in practice. Labor legislation sometimes progresses in the accomplishment of a certain end from one type to the other. The small success of voluntary schemes for workingmen's insurance led the German government to introduce compulsory insurance, thus passing from laws of the third type to those of the second. As regards savings, this matter is still regulated by laws of the third type in general, but some economists are now advocating compulsory saving as a kind of insurance against unemployment. Likewise the limited success of voluntary arbitration boards has led in Australasia to compulsory arbitration. In still other cases two methods may be combined in a single law. Thus in the Ghent system of insurance against unemployment, there is a coercive or distributive feature in that the town pays out of the proceeds of taxation a certain sum towards the allowance of those who are out of work, but it pays this in most cases as a bonus added to the allowance made by labor organizations. It thus makes use of the methods of the second class to encourage institutions of the third.

The classification of labor laws just made is not only vital when we are considering the practicability of proposed measures; it also has an important bearing upon the work of this Association. The French and German names of the International Association indicate that it

was formed to deal only with such legislation as was placed by me in the first class, and the terms *Arbeiterschutzesetzgebung* and *La Protection Légale des Travailleurs* are synonymous. The adjective "protective", perhaps for the sake of euphony, perhaps for the sake of brevity, has been left out of the title as translated into English. But the limitation of scope still applies to the International Association, and the reason for it is simple. There already exists an international association for workingmen's insurance, which is the principal aim of legislation of the second class. There is likewise a coöperative congress which deals with what is probably the most wide-spread form of self-help among the laboring class, while the trade unions are many of them on an international basis and provide for an interchange of views in matters relating to their interests. The International Association, therefore, would be entering upon fields which are already preëmpted, if it were to deal with these other subjects. This does not necessarily limit the scope of the American Association, which can take up any subjects that it desires. But it does indicate its primary purpose.

We have thus far distinguished between different types of legislation with reference to the way in which it operates upon the economic processes. If we now look at the general purpose and trend of such legislation, we shall see that there are two main purposes which are not necessarily antagonistic, but which are yet distinct. The first purpose, which applies to all of the so-called labor protective laws and many of those which fall in the other two classes, is the preservation of the race and the maintenance of its quality. The principal argument for protecting children and women against excessive or unhealthy work is that the next generation is threatened.

The first child labor laws of Prussia were inspired by General von Horn, who, in 1828, called the king's attention to the difficulty of getting able-bodied recruits from the Rhine province. This same purpose applies to many other types of legislation. One of the strongest arguments for workingmen's insurance is that the burden which falls upon women and children in the case of industrial accidents or disease is lightened, and that thus the succeeding generation is brought up under more wholesome conditions. Quite a different purpose appears when legislation aims to influence the distribution of wealth between different classes, when it consciously tries to raise the level of the wage-receiving class at the expense of the employers or of the community at large. These two tendencies, which are really quite distinct, are often confused. Many people, especially those of the individualistic school, are apt to group all labor legislation together as socialistic; and in many cases the very epithet, in the mind of those who use it, is enough to condemn the movement. This, however, is a superficial view. Socialism is not the only antithesis to individualism. If the extreme individualist is one who believes in the greatest liberty of the individual, he may be restrained either in the interest of his contemporaries or in the interest of his successors. The motto of the individualist who disregards the interests of his contemporaries is: "The public be damned"; the motto of the individualist who disregards the interests of his successors is: "After us the deluge." Thus there are two policies opposed to individualism, one of which takes into account contemporary relations, the other of which considers the element of time. Our social world, like our physical, is a world of three dimensions, not of two. From one point of view individualism is justly contrasted with collectivism or socialism.

From the other it is contrasted with a movement which is in reality not new, but which is as yet so little conscious of itself that nobody has apparently thought of giving it a name. If we may be permitted to borrow a word which was, I believe, first coined by Mr. Louis R. Ehrich, we may call it "posteritism." This movement is so important for the welfare and the permanent strength of any society, and it is capable of so many applications, that it almost implies a revolution in our social ideals. The general care for the life, intelligence, and morals of the next generation, as shown in labor laws, in the steps taken for the preservation of the national health, in the fight against tuberculosis, and in the creation of playgrounds for children, is but part of a greater movement which also includes measures for preserving our forests and our mineral resources, for draining our swamps and for irrigating our deserts. Still another phase of it is seen in the study of eugenics by our sociologists. It is not difficult to interest people in the preservation of our natural resources, but those who are far-seeing recognize that the people who inhabit a country are as much an asset as is its material wealth. Indeed, one without the other would be of little use. The labor legislation for which this association primarily stands forms, therefore, a part, but a very important part, of the general movement for posteritism.

Much that we advocate is not new. England, the states of continental Europe, and many of our own states furnish us with an abundant experience on which to base future action. And yet the matter is attended, in the United States, with peculiar difficulties which are partly legal and institutional, partly economic.

The legal difficulties arise from the very framework of our government. We have within the limits of the

United States, excluding Alaska and our distant dependencies, no less than fifty-one different legislative bodies which have the power to pass laws for a larger or smaller territory. Our country presents a more complex legislative problem than all the states of Europe taken together. There is, it is true, no lack of labor legislation in the United States. During the year 1907 alone no less than 405 measures regarding labor were passed, and all of the legislatures were not working that year.¹ But though many of our states are far advanced and stand on a par with the best states of Europe with regard to certain matters, we find that even adequate laws for the protection of the labor of children are still lacking in many of the states, laws for the protection of the labor of women are often subject to attack and nullification on constitutional grounds. When we look at the administration of these laws, we are obliged to confess that in many cases they are not executed by experts, but that the poison of the spoils system still neutralizes in most of our states the good that laws might otherwise accomplish.

While in the world at large labor legislation has already passed beyond the national stage and has now become the subject of international treaties, we are still struggling with a lack of uniformity both in lawgiving and in law-enforcing within the limits of a single country. We are not even able to command satisfactory information with regard to industrial accidents or industrial diseases in order to guide future legislation. So simple a matter as the registration of vital statistics is still in such a state of chaos that Congress has been obliged to request the states to introduce registers and has ordered a model law drawn up for their guidance. If we look at the matter in all frankness we must acknowledge that, while our indus-

¹ Mass. Labor Bull., March-April, 1908, p. 69.

tries are noted throughout the world for the inventiveness, the mechanical skill, the business talent which they command, and while we have every reason to be proud of our educational system and of our standing in international relations, we have apparently overlooked the art of legislation. The great mass of our state legislators have had no previous training in the study of lawmaking and law-enforcing. We prevent them from becoming skilled and responsible lawmakers by rotation in office, by infrequent sessions, and by constitutional limitations. The instruction which they receive from the lobby is often effective, but one-sided, since it is more apt to show them what is for their individual interest than what is for the interest of the public, present and future. There are fortunately signs of improvement. Expert commissions are being used more and more. The development of such an institution as the Legislative Reference Library in Wisconsin is doing much to educate our lawgivers. But the fact still remains that of all the industries of the United States lawmaking is perhaps the most backward.

There are also economic conditions which have made it peculiarly difficult to secure intelligent action on this subject in our country. The exhibit of the Pittsburgh Survey, which other speakers are to describe in detail at some of the other sessions of this gathering, may serve as an instructive object lesson. A visitor to that exhibit sees, as he enters the staircase hall of the Carnegie Institute, some beautiful frescoes representing the industries of Pittsburgh in their power and energy. As he ascends he sees another series of frescoes representing the "ceaseless movement of the people", men, women, and children passing on to work or play. It is true, as we are informed, that these figures are not idealized, but it is also true that the artist has shown but one side of the medal.

The assets are there, but where are the liabilities? Where is the depreciation account? If we pass into the room occupied by the Pittsburgh Survey, we see another frieze made up of small black figures, also passing in an endless procession around the room. Each one of these figures stands for one of the 622 deaths from typhoid fever which took place within a single year. Each one of them represents a loss of earning power to the families and a loss to the community, as well as suffering and weakness for those concerned. It is fair to say also that at least three-fourths of these were preventable, for some statistics placed upon the wall show that after the introduction of a filtration plant in the water supply of Pittsburgh the cases of typhoid fever were reduced by nearly three-fourths in the course of a year. Other figures show the deaths by accident, by tuberculosis, etc. Why is it that the community as a whole permitted this waste of human life to go on? It is not due to lack of engineering skill, for the highest ingenuity is displayed in the Pittsburgh mills. Nor is it due to lack of wealth, or business ability. It is mainly due to the fact that Pittsburgh, like the country as a whole, does not breed its own workers. A very large number of them are drawn from abroad. That supply keeps on coming in spite of typhoid fever and tuberculosis and the ten thousand annual deaths by accident on our railroads. A factory or a railroad must allow in its accounts for the deterioration of its machinery, or it will soon come to grief. But the United States is like a railroad company which can always obtain new locomotives by simply paying for the expense of running them. Such a company could well afford to disregard its scrap heap. But the human scrap heap is not so easily disposed of. The premature death of a worker means not simply the elimination from the industrial

world of another human machine, it often means a widow and children growing up in a state of poverty and want, it means a weak instead of a strong worker twenty years from now. Whatever the industrial structure of society may be at that time, whether capitalistic or socialistic or communistic, that means an economic loss. The action taken by us of the present generation to prevent that loss depends upon whether our social consciousness is able to project itself so far into the future as to be influenced by considerations which will perhaps never affect us personally. Socialism has emphasized the injustice of many of our social institutions. Posteritism points out our shortsightedness. If our motto is, "After us the deluge", we shall certainly take no thought for the morrow. But that was not the point of view of the founders of the Republic. For they framed the federal constitution, not only to "establish justice" but also to "secure the blessings of liberty for ourselves and our posterity."

THE AMERICAN WAY OF DISTRIBUTING INDUSTRIAL ACCIDENT LOSSES.

A CRITICISM.

MISS CRYSTAL EASTMAN.

We in America have rather suddenly grown wise about the evils of our employers' liability situation, and about the superior advantages of European systems of compensation and insurance. There is probably no one here today who would earnestly defend our way of dealing with industrial accident losses. In spite of this depressing dearth of opposition, however, I shall proceed to demolish the "American System" with considerable enthusiasm, for the sake of certain points which it seems to me important to bring out.

It is generally recognized that the reduction of the yearly loss from industrial accidents is a grave issue in national economy. We are not here, though, to discuss the reduction of that loss, but the distribution of it,—also a question of national economy. It is good private economy to make the least possible deprivation out of a loss, and it is good national economy. But nations have an advantage over individuals in adjusting their losses, for a national loss can be distributed in various ways among the individuals who make up the nation. I would criticise our present scheme for distributing the industrial accident loss, first of all, on this ground of national economy. Leaving aside for the present considerations of justice and practical operation, we may say with some confidence that the wisest national policy would be so to

distribute a loss that it would bear with the least possible hardship upon individuals. With this in mind, we turn to the actual present distribution of the loss through industrial accidents.

The bulk of it falls, in the shape of lost income, upon the injured workmen and their families, or upon the dependents of those killed. In some cases the employer shoulders a small share of this burden by making, voluntarily or under compulsion, a money compensation to the injured or his dependents. Thus out of 304 cases of men killed in industrial accidents in Allegheny County,—all of whom were contributing to the support of others, and two-thirds of whom were married,—eighty-eight of the families left received not one dollar of compensation, ninety-two families received enough to barely cover funeral expenses, sixty-two families received less than \$500. In other words, 59 per cent of these families were left to bear the entire income loss, and only 20 per cent received, in compensation for the death of an income provider, more than \$500—a sum which would approximate one year's income of the lowest paid of the workers killed.

In injury cases, we find about the same situation:

Married men	56%	received no compensation.
Single men, contributing to the support of others, 69%		received no compensation.
Single men without dependents.....	80%	received no compensation.

Looking at these figures in a different way, we find that for 259 injury cases the sum of income loss up to the date of investigation (one year or less from the time of the accident) was \$52,509. The total compensation for these cases amounted to \$12,000,—less than one-fourth of the first year's loss. The \$12,000, however, is a fixed and

settled sum, while the \$52,000 will go on increasing until all the men who have received serious permanent injuries are dead, or have reached an age at which without the injury they would have ceased to be income getters. Take, for instance, the cases of six men who were totally disabled for life: four of these men will walk on two crutches for the rest of their lives, one lost an arm and a leg, and one is paralyzed. Of these six men three received no compensation whatever, one \$365, one \$125, and one \$30. The total loss of income for these men up to the end of their lives, according to their earnings at the time of injury and the mortality tables, will amount to \$12,365. The total compensation for the six cases amounted to \$520,—in other words 4 per cent of the loss.

The total loss to the families of 193 married men who were killed, figured on the same basis (but subtracting \$300 a year to cover maintenance of the man killed), will amount to \$2,754.357. The total compensation made to these 193 families was \$72,039.

If these figures are typical, then we must conclude that the share of the loss borne by employers in the way of compensation is very small. Social workers will be quick to conclude that a great share of this burden must eventually be borne by the community through some form of charity, public or private, organized or individual. On this point the Pittsburgh study resulted in some significant and rather astonishing figures. Out of 526 workmen killed the city had the expense of burying six. Apart from this, there were, out of 825 cases studied, so far as we could discover, only seven in which any demand had been made upon organized or institutional charity; and in all of these seven the items of relief were very small. For instance, two orphan children are being cared for in an asylum and one blind old man whose son was killed

received \$1.50 a month from the county for part of a year.

The list of those aided by private individuals outside the immediate family is a little longer. Thirty-eight funerals were paid for by collections among friends, neighbors, or fellow-workmen; nineteen families received other help from such private sources. These instances range from that of a man who was boarded for nothing while he was disabled to two cases of systematic begging as a source of income. All this private, individual aid comes direct from the working people. Even the two who beg, beg from their own class. One, a widow with four children, begs at the Slavic Church door; the other begs at the mill gate on pay day.

Adding these two lists together we have, out of 825 cases studied, forty-four funerals paid for by charity and twenty-six instances of other aid from outside the immediate family.

This situation is partly explained by the fact that 149 of the men killed left dependents in Europe, and in nineteen other fatal cases the family went back to the old country soon after the funeral. In other words, 43 per cent of the fatal accidents in the Pittsburgh district leave a poverty problem not in America but in Europe. If we were discussing national morality, instead of national economy, we might pause to consider the ethics of this situation.

This statement as to the amount of relief given must be further qualified by the fact that we covered the life of the family for only about one year after the accident. This thought plunges us into the region of probability and guess work. Undoubtedly some of these families will become a burden upon the public. How great the burden we can only surmise. Statistics cannot help us

here. As a last resort, I turn to personal impression and private opinion. Judging from the pride and self-respect I found among these people, the energy and resourcefulness they exhibited in the first year's struggle, and from their generosity and family loyalty, their willingness to help each other,—I think that very few of them will ever become a burden upon American institutions of relief.

We have seen that compensation from employers covers an exceedingly small part of the loss, being in sixty per cent of the cases nothing at all. We have seen that the community, so far as the indications of this study go, bears an inconsiderable share of the loss. There are but three parties concerned, and it needs no further reasoning to show that the income loss from industrial accidents in the Pittsburgh district falls directly, almost wholly, and in all likelihood finally, upon the injured workmen and their dependents.

We were speaking of national economy. Is the policy or lack of policy which allows such a distribution of the loss to continue a policy of national economy? It might be answered: "Why not? You have shown us that few of these families become destitute, that they do not come back upon our poor boards, our institutions, our charitable societies. Does not this prove that they are equal to the burden? Why interfere?"

But, we do not maintain public schools in America because we think uneducated men will become a direct economic burden on the nation. We maintain them because we know that a nation's worth in the long run is measured by the average intelligence and ability of its individuals. We must apply the same wisdom to this problem. If the suffering of these numberless income losses means hardship and unfulfilment in individual families, then it means national deprivation. Does it mean

hardship and unfulfilment? For answer we will limit ourselves to certain figures with regard to the families of married men who were killed. We were able to follow the fortunes of 132 such families. Grown children were already working in some of these cases, and a fair family income remained even after the husband and father was killed. In a few instances a widow only was left and she was provided for by insurance. Six per cent of the widows left by the year's fatalities remarried. In such cases the loss of income meant perhaps no actual hardship. But in 59 out of the 132 cases the widow went to work,—cleaning offices, washing, taking boarders, keeping a store,—anything that came easy. Almost invariably this meant hard work, long hours, poor pay, and in most cases children neglected. It was the bitter unrewarding struggle of one person trying to do the work of two. Among these 132 families, twenty-two children were taken out of school and put to work during the year after the accident, fifteen of them being under sixteen. Here is a measurable hardship,—children deprived of the unburdened growth and education they might have had. The lives of many more children, as they grow to a working age, will be affected by the continuing absence of normal income. In nineteen cases the standard of living was lowered by a reduction in rent. One family with six children had lived in four rooms for which they paid \$12 a month; they were found one year after the husband was killed living in one room, for which they paid \$4 a month. This is an unusual case. The average reduction in rent in these nineteen cases amounted to \$5.

In thirteen cases the widow took her children and went to live with her parents. This is but a shifting of the burden within the family. It means the crowding of a large family in small quarters. It means burdening an

old man with the necessity of providing for a young family at a time when he should be letting go of things.

In thirty-five cases the immediate relatives helped in some other way, by taking a child, by giving money, etc. This too means hardship, because the aid is given not from surplus but from sacrifice. If a workingman's wife with six children saves something to give to her brother's widow left with four, it means real deprivation. If a workingman gives one-half of his earnings to a widowed sister with a family to bring up, it means sacrifice. If a young man about to set up a home of his own is obliged to keep his girl waiting because he must go back and take the place of a father killed, this is hardship, unfulfillment.

Beside these reckonable hardships there were many small intangible indications of poverty in these families. Such, for instance, is an extreme economy on food and clothes and recreation, the giving up of cherished projects, the breaking up of families, etc.

These, then, are some of the individual and family hardships that resulted from the loss of income in 132 fatal accident cases. With cases of long disability from accident we find the same situation, except that the problem is further complicated by having a sick man on hand to feed and care for,—an invalid whose recovery is delayed by the very conditions of increasing poverty and anxiety, which his injury caused, and which his recovery alone can terminate. The situation of a workingman disabled by injury and at the same time deprived of all his income is somewhat analogous to the situation of a man confined in a debtor's prison in the old days in England. They said to the debtor, "In order to get out you must pay your debts, but in order to pay your debts you must get out". We say to the disabled workmen, "In

order to recover you must have income, but in order to have income you must recover”.

It is not necessary to point out that these individual hardships are a tax upon the community's real prosperity. Repeated in thousands of families throughout the country, as they are today in America, they amount to a great negative force working away in dark places to undermine the slow-building foundations of our national welfare.

Instead of making the least of the industrial accident loss, we are making the most of it. We are allowing the bulk of it to be borne by those least able to bear it. We are distributing it so that it means the greatest possible amount of hardship to individuals. My first criticism of the “American System”, therefore, is that it makes out of what is perhaps still a necessary national loss an absolutely unnecessary amount of national deprivation.

Are there, then, any considerations of justice which make it worth while for us to hold on to this system? I think not. In the first place, our law of master and servant, even as modified by employers' liability statutes, can be proved unjust on the basis of old individualistic legal theory, as an unwarranted departure from the general law of negligence. In the second place, according to the broader ideas of social justice based upon modern industrial organization, injuries and deaths which occur in the course of work are among the costs of production, and should be reckoned and paid for out of the profits of the industry. The workman who is injured, the dependents of those killed, have lent their capital to the furtherance of an industrial enterprise; they cannot justly be left, as the result of an accident, without their capital and without anything to show for it, while the enterprise continues to make profits. The disabled workmen, the widows and orphans, are in a certain sense creditors of the industry.

We conclude, therefore, that our way of distributing these losses cannot be defended on grounds of individual or social justice.

We come to the last consideration—practical operation. Perhaps national economy and justice would be considered theoretical grounds. Here, however, we are on everyday footing. How does the system actually work? I need only mention the familiar and altogether undisputed evils of our employers' liability law in operation:

- (A) The state is put to the cost of much fruitless litigation.
- (B) The money spent by employers in fighting suits, avoiding suits, etc., amounts to quite a heavy tax, and yet results in little actual compensation paid.
- (C) Almost half of this compensation received from employers goes for the fighting necessary to get it.
- (D) The compensation, when there is any, is delayed while the need is immediate.
- (E) Lawyers on both sides are encouraged to dishonest methods.
- (F) Misunderstanding, bitterness, and distrust between employers and employees is fostered.

Out of these difficulties in the actual operation of the system have grown such institutions as employers' liability insurance, and what are generally known as relief associations. These we must consider with a view to finding out whether any true solution of the problem lies along their lines.

Liability insurance, as is well known, is not intended to insure the workmen, and does not affect the distribution of the loss so as to relieve the workman of any of his burden. If anything, it makes the position of the injured

man more insecure, because the employer, when he has paid premiums to relieve himself of legal liability, very often feels himself relieved also of moral responsibility for his injured workmen. The liability company, however, contracts to take over his legal liability only. Thus whatever feeling of moral responsibility existed is lost in the transfer.

Furthermore, under our present laws, this kind of insurance is bound to be wasteful and expensive because so many incalculable uncertainties enter into the risk. On account of the high premiums, and because it hurts their relations with their employees, I found the large employers in Pittsburgh rapidly abandoning liability insurance. Relief associations, on the other hand, are on the increase. They are of every conceivable variety. We shall not consider here those of a purely voluntary character, in which no contract relieving the employer of liability is made. Such organizations, so far as I can see, do no harm and are of very decided benefit; but they are giving place, in Pittsburgh at least, to relief associations of another type.

A relief association is primarily an organization of employees for the purpose of providing benefits in case of injury, sickness, old age, or death. We are here concerned with these organizations merely as a means of insuring against accident. Many employers have organized such associations, seeing in them a chance to accomplish certain aims of their own, while at the same time encouraging forethought and lessening distress among their employees. These aims are:

- (A) To bind the employees' interest to the company.
- (B) To weaken unionism by withdrawing employees from its benefit schemes.
- (C) To relieve themselves of legal liability by contract.

The accomplishment of these objects, I hold, is of doubtful social value.

In relief associations founded with these motives we find that membership is made a condition of employment whenever the employer is in a position of advantage in making the bargain. We find, also, that in the contract of membership there is a clause by which the member agrees that if he accepts benefits in case of injury he will relieve the employer of all legal liability in connection with the accident, and that he will sign a full release of his claims. This contract applies to the beneficiaries in case the member is killed. The compulsory character of these associations, the fact that membership is actually made a condition of employment, is the source of most of the evils inherent in them. I will briefly summarize these evils.

1. The employer is freed from the deterrent effect of the civil law, which is wholesome so far as it goes, and no tax is exacted from him sufficient to take the place of that deterrent. In the Pennsylvania Railroad Relief Association, for instance, the company pays the expenses of management and guarantees the fund, but makes no other contribution. Benefits are paid out of dues collected from members.

2. The workman is forced, as a condition of employment, to make a contract whereby he must in case of injury either lose the benefit of all the dues he has paid or give up his legal right to sue. Thus, practically, the workman gives up a future legal right by a contract in the making of which he has not actual freedom.

3. Many workmen who are not able or do not care to carry two kinds of insurance, by being compelled to join a relief association, are withdrawn from the union insur-

ance benefit schemes, which are the strongest feature of many unions.

4. Men who pay dues to a relief association upon which they have no claims for benefits after they leave a certain employment have a strong incentive to remain in that employment. Thus (a) the free movement of labor is interfered with, and (b) unions are in a second way weakened by this inducement not to strike.

In short, here are serious dangers to the real freedom of the workers, individually and collectively—a freedom which it should be our constant interest to conserve and increase.

Moreover, while a great deal of wastefulness and strife is avoided by these associations, while providence is encouraged and distress in a measure relieved, nevertheless such associations do not very greatly affect the distribution of income loss from industrial accidents. The bulk of the burden falls upon the workman just the same, whether he is encouraged to provide for it by previous small deprivations or left to meet it in his own way. But the establishment of such associations does tend to create the impression that the problem is solving itself, that the employer is voluntarily insuring his workmen, and that there is no need of legislative interference. The eyes of those concerned are blinded to the fact that national deprivation and social injustice continue to exist; thus legislative action is delayed.

So far, in respect to its practical operation, I have criticised our way of distributing industrial accident losses, on the ground (1) that it is cumbersome, wasteful, and productive of strife, and (2) that the institutions which have come into existence as a result of these difficulties of operation furnish no real solution of the problem and contain serious dangers.

What is possibly the most important consideration in the actual operation I have left to the last,—namely, its influence in preventing accidents. It is impossible to discuss compensation for industrial accidents without touching the question of preventing accidents. The bearing of one upon the other is obvious and of the greatest importance. When compulsory compensation for all accidents regardless of negligence is suggested, someone always objects that if we assure the workman compensation we shall increase his carelessness. I don't know anything about psychology, but I have an idea that this is not psychologically sound. A workingman's recklessness is not deliberate but spontaneous and impulsive, although it may become habitual. When he is careful it is not for remote reasons but because of immediate danger. It is not reasonable to suppose that a railroader who, when a coupler fails to work, is in the habit of taking his time, of signaling to the engineer, and of waiting for the cars to come together instead of going between them, would, under a different law, say to himself, "Well, I can make this thing work quickly and easily by going in between the cars. It's risky, but if I lose an arm I'll get something. If the cars come together and crush me, my wife will get three years' wages." Certainly in the presence of immediate danger the preservation of life is the strongest motive; if the fear of death does not insure caution in the workman we cannot hope to instill it by holding over him the fear of poverty. Even the knowledge that his wife and children might suffer for his death would not greatly modify his instinctive attitude.

In discouraging carelessness on the part of the employers, however, the matter of compensation—the size and sureness of the penalty they must pay for the accidents—is an important factor. The employer's careless-

ness is usually of the deliberate variety. It is involved in the construction of his plant, the selection of materials, the engaging of foremen, the making of repairs. The act or omission which constitutes his carelessness is remote in time from the risk to life and limb. Nor is it a risk to his own life and limb, but to the lives and limbs of others with whom he has no personal relation and whom he has perhaps never seen. At the time when he is careless he is in a position to consider the cost. Therefore the amount and inevitableness of the penalty put upon him is an exceedingly important factor in the prevention of those accidents which are due remotely or directly to his carelessness, indifference, or haste.

In this respect our present laws can be most severely criticised. The penalty is so rarely and unevenly imposed, the chances of escaping it are so varied and incalculable, that the civil law provides little incentive to care in the employer. I recall four inquests, each of which described the death of a man in a steel mill as the result of a heavy load of metal falling from a crane upon him. In each case the load fell because a chain broke or a hook pulled out. In one case the crane operator testified that he never knew of hooks being inspected. Two other men, employed as car cleaners by coal companies, were crushed while working underneath a car which stood on a siding. In each of these cases another car or an engine ran in on the siding without warning and bumped the car that the cleaner was under. In one case the brakeman testified that it was every man's business to look out for himself. In the other the superintendent said that he "didn't know whose duty it was to warn men underneath the cars, but he would see that some one might do it."

The cost of these six cases to the employers is significant. The men were all foreigners. One of them lived

seven days, costing the company \$7 besides his funeral expenses. In the other steel-mill cases the funeral was the only expense to the employer, amounting to about \$75 in each case. Deaths at the rate of \$75 each are not going to be a matter of serious economic concern to a present day corporation, however they may appeal to it on ethical grounds. One of the coal company cases cost the company nothing, the funeral being met by a collection among friends. The man in the other case belonged to a relief association, and by the terms of his contract the employer paid \$75 at his death.

Certainly it is not sensational or extreme to say that more attention would be given to the inspection of chains and hooks, that more care would be taken to provide adequate signal systems for men working in defenceless positions, if this sort of killing "came higher".

We have criticised the present distribution of industrial accident losses on the ground that it is poor national economy, that the basis and underlying principle of it is unjust, that in actual operation it wastes and scatters resources, that the voluntary institutions which have become part of it do more harm than good, and that it is of little use in preventing accidents.

In planning new legislation along this line, we must have constantly in mind these evils. We should therefore require of any new system which we adopt:

1. That it make compensation for injury and death from industrial accidents compulsory upon employers. Any scheme which leaves the alternative with the employer fails to recognize and correct the injustice of the present distribution.
2. That it make this compensation uniform and definite, and sufficient in amount (a) to shift a considerable

portion of the loss from the injured workman to the employer (and thus ultimately to the public), and (b) to encourage the greatest care in the employer.

3. That such compensation shall not depend upon a contract between employer and employed. For in such a contract there are dangers to the actual freedom of the workers, dangers against which the law cannot protect them.

WHAT FORM OF WORKINGMEN'S ACCIDENT INSURANCE SHOULD OUR STATES ADOPT?

M. O. LORENZ.

One year ago Prof. C. R. Henderson read a paper before the American Association for Labor Legislation in which he told of the educational endeavors of the Illinois Insurance Commission. Such has been the progress in public opinion that today we may take for granted the desirability of accident insurance and ask,—What form of law should our legislatures adopt? I shall attempt to answer that question, especially with reference to conditions in Wisconsin, not with the thought that the answer is in all respects correct, but with the hope that the discussion which follows will be focused upon certain difficult points.

In order, however, to justify the plan to be submitted, I think it may be well to summarize the arguments which may be adduced in favor of a system of accident insurance for workingmen, and without dwelling on them at length for the reason stated.

1. One of the strongest arguments is that such a system would be of great assistance in the prevention of accidents, both because of the full knowledge we should get about accidents, and because the administrative machinery of a system of insurance can do much to prevent them. Note, for example, that the rules of the accident fund of the South Metropolitan Gas Company of London give as the objects of that fund,—first, prevention, and secondly, compensation. In bold faced type, we read:

"Prevention is the chief object. 'Prevention is better than cure'. How poor a substitute for prevention is money compensation. The directors hope, with the hearty coöperation of all officers and workmen, to reduce accidents to the smallest possible number. All are requested to exercise all possible care and forethought, and to report without loss of time, any defects in plants or appliances to the foreman in charge of the work or to the engineer of the station.

"The directors thankfully acknowledge this coöperation in the past, for since this scheme was started in 1897 the proportion of accidents per 1000 subscribers to the fund has been greatly reduced, as is proved by the following figures:

1898.....	82 per	1,000	1903.....	56 per	1,000
1899.....	76 "	1,000	1904.....	50 "	1,000
1900.....	71 "	1,000	1905.....	44 "	1,000
1901.....	64 "	1,000	1906.....	37 "	1,000
1902.....	52 "	1,000			"

In this particular accident fund, the device of a jury of workmen to investigate each accident, and the grading of the workmen's contribution at each station according to the number of accidents in that station, are thought to work toward prevention.

It appears, therefore, that these two objects are not wholly distinct, and we may legitimately mention the desirability of preventing accidents as one of the strong arguments in favor of a system of compensation, even though more direct ways of prevention are also desirable.

2. The wasteful character of our system of damages for negligence is another important consideration. Take an illustration from the Wisconsin Supreme Court cases of this year. A man was severely injured for life by falling into a trench filled with hot water. The damages were \$6500, of which the sum of \$3500 was paid to his attorneys, and it is said that his expenses due to the acci-

dent are about equal to the balance. This case did not determine any important point of principle. The fact that the man was severely injured while at work was not disputed. The legal contest cannot be said to have served any good purpose. This case is typical, not of any rapacity on the part of lawyers, for such cases may require much work, but of a fault inherent in the system.

Another evidence of waste in our present system is found in the financial statements of the liability insurance companies. In 1907, according to their report to the Wisconsin Insurance Commissioner, about thirty-eight per cent of the premium was paid for losses, although this covers other forms than employers' liability insurance. In all of their business the casualty companies report commissions and dividends as being about three-fourths as much as their losses paid. These facts are not a criticism of the financial management of those companies, nor proof that they are not to some extent beneficent social institutions. The question is simply whether we cannot devise a better system.

3. The present system is unjust because there is no pretense of distributing damages according to needs or merit. The general rule in fatal or serious cases is to pay the smallest amount that will bring a release.

4. The present system undoubtedly creates ill-feeling between employers and employed. The principle of, get what you can out of the employer in case of an accident, makes each side suspicious of the other. I have in mind one workman whose hand was injured in a Milwaukee factory who said, "My employer kicks every time I come around and ask him for five dollars." Contrast this with the German system, where the employee receives from the post office his regular allowance as a matter of right.

5. To some extent industrial accidents necessitate charity. If people must be supported anyhow, it would seem better to give a definite right to a payment than to give the money in the form of a dole.

6. A system of workmen's insurance would undoubtedly relieve the courts of some vexatious litigation. The Supreme Court of Wisconsin had in 1907 about eighteen cases resulting from accidents to workmen. There would, it is true, be litigation under any system, but an insurance law undoubtedly would be more easily interpreted than the law of negligence, because the statement of facts would be subject to less dispute.

This bundle of arguments, with prevention, economy, and justice as the leading ones, is sufficient to constitute a cause for action, and we may proceed to take up specific plans of procedure; but before descending to details it may be well to consider some of the difficulties involved.

DIFFICULTIES INVOLVED.

1. We are confronted at the outset with the alternative of adopting a compulsory or a voluntary system. Some form of compulsory liability or insurance system with optional features certainly is the rule among nations that have legislated in this matter. Perhaps a distinction should be made between a compulsory and an obligatory system. An obligatory system imposes a duty to make provision in case of accident but leaves it optional how that obligation shall be met, whereas a completely compulsory system would make insurance compulsory and leave no option as to the method of insurance. This suggests the German distinction between *Versicherungszwang* and *Zwangszversicherung*.

The Illinois Commission plan is an example of a purely voluntary system. It simply says to the employer and

employees, "You may make a contract whereby the employer insures the workman and the workman agrees to give up his right of suit". We cannot point to any successful experience under such a plan. In Massachusetts the right of contracting out was given in May, 1908, but no action had been taken under the law up to December 1, 1908. Under all of the conditions, it may prove wisest to follow this plan, but it would be a confession of a weakness in our governmental system, for, in view of European experience, there can be little doubt but that we shall ultimately have a comprehensive system of workmen's insurance.

The plan which I shall submit to you makes some form of insurance practically obligatory, but leaves such options that it cannot be in any sense oppressive. An obligatory system has the advantage that it includes backward, reckless, and unintelligent employers as well as the public-spirited ones, and it includes the thriftless as well as the thrifty worker. It would give a broader basis for equalizing the shocks,—that is, with a large number of persons insured, there would probably be more regularity in the accident rate, and probably a smaller expense rate. It would help also in getting complete statistics, which is of the utmost importance for intelligent action in the future. I should be disappointed if our states adopted systems which did not permit of our having as complete statistics as are issued by the German government on this subject.

2. But what will the courts say about an obligatory system? Our courts are often represented as being opposed to progress. Perhaps there has been in the past some justification for this. The courts were under no compulsion, for example, except that of their own inclinations, to develop the fellow servant doctrine and the doctrine of

the assumption of risk, so far as these apply to dangerous industries. These doctrines give a clear illustration of legislation by the courts, and the trouble with this judicial legislation is that it has developed piece-meal, decision by decision, each step making it harder to retreat in order to make the theory square with the facts. The courts have assumed that certain things were implied in the wage contract, assumptions which were reasonable in employments not of a dangerous character, but unreasonable in modern, complicated, dangerous occupations. If the courts had been open to progressive ideas, they might have modified the law by recognizing a trade risk and the fact that an employer incurred some responsibility when he engaged in an enterprise which, assuming that degree of care which may be expected of human nature, was bound to result in so many killed and injured per 1000. They might, if they had taken account of economic facts, and had not been so much under the spell of *stare decisis*, have assumed that a "free and equal" workingman, before entering a dangerous employment, would contract with his employer that the employer was to assume part of the risks of the business.

But yet the courts have been somewhat too much criticised. They are the interpreters of our constitutions, and our constitutions may be the real barriers to progress. The courts have fully recognized that the right of private property, the right of free contract, and the right to engage in business enterprises, are not absolute, but are subject to considerations of public welfare. Show conclusively that a public evil exists, show conclusively that you have a remedy that is adequate and sensible and not too drastic, and you will find that the courts will not stand in the way unless some specific provision of the constitution is violated by your plan. The plan which I shall sub-

mit to you is a small regulation of property and of contracts, designed to be reasonable and practical, which contains nothing of class favoritism or confiscation, and which is to remove evils which in the words of an English statesman one may venture to call a great scandal. While some doubt as to the constitutionality will attach to any compulsory system, it is worth while to bring the matter squarely before our courts before accepting an unsatisfactory voluntary system.

3. There is the further difficulty of enumerating the industries to which such a system should apply. A voluntary system might avoid this difficulty, but a compulsory system cannot escape it. The English law makes short work of this perplexity by including all employments. In other countries we do find an enumeration of various industries to which the insurance system is to apply. Can a reasonable classification of industries be found according to which you can say to this class the insurance system shall apply, and to that class it shall not apply? If a man is injured in an employment where the accident rate is one per 1000, should he not receive compensation as much as if the rate in his industry were fifty per 1000? Again, if you compensate a man injured in a planing mill, why not also make your system apply to the farm hand killed by a corn shredder? This is a point of great difficulty.

It should be remembered that the problem before us now is not that of insuring workingmen against all injuries, for a good many are injured while not at work. That is a distinct problem. The idea is to cover the *extra hazard* due to their occupations, for it is this extra hazard which gives rise to the peculiar evils which we seek to remedy. It seems proper to make the basis of classification the *existence of a clear trade hazard*. We are all exposed to some risk of accident. Office workers, for ex-

ample, have their accident rate, but they have no occupational hazard for accidents. For some kinds of light manufacturing there might be practically no such special risk. It would be a matter of statistical detail to determine what occupations have such a special hazard. A satisfactory law should state clearly the principle of classification, but make the inclusion of special kinds of enterprises a matter of statistical detail. It would not be conferring legislative power on a commission if the inclusion or exclusion of an industry were made to depend on the ascertaining of a fact,—that is, whether the accident rate was more or less than the standard.

But it would be desirable to make some broad exceptions to this principle. Agricultural laborers should perhaps be excluded as being a class by themselves. There is more casual labor; more personal relations exist between employer and employed. Personal vigilance perhaps counts for more, as farming is a small scale industry. The large number of farmers would make administration difficult; and, finally, the evils constituting a cause for action have not been given prominence by cases arising out of farm accidents. Possibly it would be desirable to include the operations of dangerous forms of agricultural machinery where mechanical power is used.

4. Should the employer bear the expense alone or should the employee also contribute? I think, that under conditions existing in this country, we must decide in favor of a joint contribution. This would give both parties a financial interest in good administration. It would free the system from the charge of being a class measure, and would harmonize with the legal theory of the equality of men. Considering interstate competition, an adequate insurance might be a burden to the employer if he bore the expense alone. There is good reason to believe that

the scale of payments in the English act of 1897 could easily be borne by the employer. But that scale was hardly adequate. It did not provide for full medical aid.

5. How should the money be collected and administered? Some machinery is evidently necessary. The English method utilizes the machinery of the private liability companies. The German plan is to make employers' associations do much of the work. Both seem hardly applicable to our conditions. The waste of the private liability companies is one of the things we wish to avoid. Dividends and commissions have no place in a system of workingmen's insurance, and, on the other hand, it is questionable whether our employers would care to take the trouble to administer the German system properly, and whether we could vest employers' associations with the authority to impose fines and issue orders as the German associations do. To create private agencies and then to supervise them by an additional governmental machinery seems unnecessarily cumbersome.

The plan submitted provides for a system of direct state administration, with the option of insurance by employers' associations or other insurance agencies. A state like Wisconsin is not too large an area for one administration. The advantage lies in the simplicity and in making use of methods with which employers are already familiar. The plan does not preclude utilizing associations and committees of employers and employees to assist in the administration.

6. The prevention of malingering is an important consideration. That is not so large a problem in accident as in sick insurance, but it is something you have to fight against. A state administered fund would have in this respect to adopt the same method used by the liability companies,—the appointment of physicians and agents whom

it can trust to examine each case; but in addition to this the coöperation of employers and workmen can perhaps be enlisted by making it to their interest to reduce the number of claims by making the premium vary according to the accidents compensated in each establishment within certain limits.

7. How can damage suits be obviated? The English method does not try to do so directly but gives the workman the option to take more certain compensation, and the insurance company protects the employer in either event. But in the plan submitted the aim is to make these suits so unusual (by limiting them to cases of gross and flagrant negligence or wilful misconduct) that he need not insure himself against this contingency. To make this exemption fair from the standpoint of the workman, the employer should not, if such a suit be brought, be allowed to avail himself of the defense of contributory negligence except in cases of gross and flagrant negligence or wilful misconduct on the part of the workman injured. The plan submitted is as follows:

There should be a Board of Industrial Insurance Commissioners, the constitution of which is a matter of detail. This board would have the power to issue danger licenses to employers who wish to engage in dangerous employments, a license fee being charged therefor, with fine for refusal. Any employer having such a license would not be liable to a damage suit on account of industrial accidents happening in his establishment unless he was guilty of gross and flagrant negligence or wilful misconduct. The license fee would be graded according to the character of the industry, and according to the wage bill, with readjustments according to subsequent experience. The employer would have the right to deduct a sum equal to one-half the license fee from the wages

which he pays, this being assumed to be a part of every wage contract, unless written notice was given to the contrary both to the employer and to the board of insurance commissioners. When an employee gives such notice, his possible benefits would be diminished, as would also the license fee of the employer. The reason for putting the matter in this way is to include all employees unless they have a good reason for withdrawing. Under a voluntary system a workman must have foresight enough to enter an insurance scheme; under the plan proposed, he would be automatically included unless he takes the initiative in getting out. Thus there would be no danger of infringing his liberty, and in any case, he would still be entitled to a small compensation in case of accident. But if the employer had paid his share of the license fee on account of such employee, he would still not be liable to a suit except for gross and flagrant negligence or wilful misconduct. This is less favorable to the workman than the English law. If it is not thought favorable enough, matters should be balanced up, not by making damage suits easy, but by asking the workman to pay say one-third instead of one-half. In the exceptional cases of suit against the employer, which it is thought would be so unusual that he need not insure himself against that contingency, his defense would be weakened by abolishing the doctrine of the assumption of risk and the fellow-servant doctrine.

Instead of paying a license fee, the employer might obtain his license by furnishing proof that he had insured his men with some company or organization, the policy being like the standard policy prescribed in the statute, or equivalent to it.

The license fees would constitute a fund, out of which full medical aid and weekly or monthly benefits would be

paid. In general the cost would be twice as great as the English scale of 1897, the share of each party being about equal to present rates for liability insurance.

The board of insurance commissioners would have to employ administrative agents and medical inspectors as the liability companies do now. This does not mean that the state would be in the insurance business. The fund would not only be distinct from other revenues, but probably could not even be guaranteed by the state.

As already indicated the employments covered would be those which, according to the best statistics available, have an accident rate higher than that of office workers or retail mercantile employments, where there is practically no occupational hazard. Possibly farming, except where power machinery is employed, should be expressly exempted, and also persons engaged in interstate commerce.

The advantage of the plan here outlined lies in its simplicity and definiteness. The employer pays his license fee, and he gets protection which he does not have today even when he carries liability insurance, for frequently the damages allowed are greater than the limit specified in the policy. On the other hand, the workman or his dependents get a certain payment. State supervision will guarantee fairness and justice in the working of the system.

The plan is offered as simply one way out of a difficulty. Further discussion may show a better way.

An Outline of a Bill.

To create a board of industrial insurance commissioners, to establish an accident fund, to provide for licensing employers, and to amend the statutes relating to the liability of employers for damages to injured employees.

Section 1. *Board of Industrial Commissioners.* The

Insurance Commissioner, the Commissioner of Labor, and the Attorney General are created a Board of Industrial Insurance Commissioners to manage the accident fund. (The constitution of this commission is a matter of detail; it may be desirable to confine it to one department, or to create a new commission, or to have an incorporated body of a quasi public character, for which there would be precedent in the Horticultural Society and others in this state.) The state could contribute a definite amount annually for the expenses of this board.

Section 2. *Danger license.* After a specific date, no person shall engage in the employments specified in section 11 without a license from the board of insurance commissioners. This license must be renewed annually. Refusal to apply for a license or to comply with conditions necessary to obtain same, or to renew same annually, would subject one to a fine, graded according to the number of persons employed, such fines being paid into the accident fund, provided for later.

Section 3. *License fees—how determined.* It would be the duty of the insurance commissioners to classify the industries covered by the act in detail, according to the dangerous character of the industry. That this is possible is shown by the fact that the liability companies have done it. The fee of each employer would at first be determined by his classification and wage bill, but if subsequent experience showed that his establishment caused fewer accidents to be compensated than indicated by the accident rate of his class, his fee might be reduced not more than fifty per cent. This reduction would thus not be dependent on political or other favoritism, but according to scientific accounting. The general level of the fees are determined by the benefits granted in section 8, those benefits being arranged on the supposition that the fee

would be about twice the existing cost of employers' liability insurance, one-half being paid by the employee as provided in the next section.

Section 4. Every contract whereby an employee agrees to work for an employer in the employments specified in section 11 shall be understood to authorize the employer to withhold from wages to be paid for such employment as much as one-half the amount which the employer must pay to secure a license from the board of insurance commissioners, unless the employee gives written notice to the employer and to the board of insurance commissioners to the contrary. Any employee who gives such notice shall be entitled to only one-half the benefits specified in section 8, and the employers' license fee shall be diminished accordingly.

(The reason for putting the matter in this way is to include all employers unless they have a good reason for withdrawing. Under a voluntary system, an employee must have foresight to enter a scheme; under the plan proposed he is automatically included unless he takes the initiative in getting out. Thus there is no real danger of infringing his liberty. In any case, he would still be entitled to some definite compensation in case of accident.)

Section 5. *Licensed employer not liable—exception.* Any employer who has obtained a license according to section 2 shall not be liable to prosecutions for damages to employees on account of accidents for which the injured employee is entitled to compensation under section 8, unless the proximate cause of the accident is the gross and flagrant negligence or the malicious or wilful misconduct of the employer, or unless the employer has knowingly refused to comply with the reasonable orders of a factory inspector which might have prevented such accident.

(This practically exempts the employer. It is less favorable to the workman than the English law. If it is not thought favorable enough, matters should be balanced up, not by making damage suits easy, but by asking the workman to pay say one-third instead of one-half of the license fee.)

Section 6. *Liability of employers in case of gross and flagrant negligence or wilful or malicious misconduct.* In an action brought by an employee against his employer in the exceptional cases provided for in the preceding section, the contributory negligence of the employee involved in his voluntarily entering into a dangerous employment shall not be a bar to recovery. Nor shall a slight inattention or mistake on the part of the workingman injured or any negligence on the part of a fellow servant be a bar to recovery. But gross and flagrant negligence or malicious or wilful misconduct, including repeated disobedience to reasonable rules for the conduct of the work which the employer has attempted to enforce, shall be a valid defense for the employer.

Section 7. *Diminished benefits to employees who resort to a suit.* Any employee who brings a suit against his employer for damages on account of an accident, and who otherwise would be entitled to full benefits under section 8 of this act on account of such accident, shall forfeit such part of such benefits as the employer's contribution of the premium paid on account of such employee. If without such suit he would be entitled to only half benefits because he has made no contributions to the employers' license fee, he shall receive no benefits.

Section 8. *Benefits to injured or their dependents.* When an employee to whom this act applies as specified in section 11 is injured while at work for his employer, and as a result of such work, he or his heirs shall, regardless of negligence, be entitled to the following benefits to be

paid out of the accident fund created by this act, except that no benefits shall be paid for injuries which have been intentionally self-inflicted, and unless the benefits are modified according to section 4 or section 7: (1) *in case of death*,—funeral and other expenses due to the accident, and a pension to widow or dependents for a period of ten years, equal to half wages, with a possible commutation to a lump sum; (2) *in case of incapacity*,—full medical aid and as much as one-half wages during incapacity, the exact amount depending on the degree of incapacity.

Section 9. *Payment of benefits.* (1) The board of industrial insurance commissioners shall appoint such administrative agents, medical inspectors, and make such necessary regulations that, when an accident happens that is covered by this act, the benefits may be paid promptly. (2) The said board may refuse to pay the benefits if the person refuses to submit to a medical examination to determine the degree of incapacity or if it discovers intent to defraud the accident fund.

Section 10. *Accident Fund.* The license fees and fines provided to be paid by this act shall constitute an accident fund, in the custody of the State Treasurer, payments from which would be made on the order of the Board of Insurance Commissioners. Provision would have to be made for the disposition of a possible surplus or the covering of a possible deficit. The latter might be done by authorizing a special assessment upon licensed employers, or by requiring an entrance fee until a guarantee fund had been accumulated, but the state could not guarantee the fund directly. Some of the general expenses of administration could be done by direct appropriation.

Section 11. *License may be obtained by substituting other schemes.* If any employer employing an average

of 1500 men for five years preceding the enactment of this law, or any association of employers who have collectively employed an average of 1500 men for five years preceding the enactment of this law, shall organize a voluntary insurance organization which will guarantee to the men in his or their employ benefits fully as large and fully as advantageous in method of payment as the benefits specified in this act, and at no greater cost to the employees, or if an employer shall prove that he has purchased a policy from an insurance company, which policy guarantees benefits fully equal in amount and method of payment to those specified in this act, accident licenses shall be issued to such employer or employers without payment of a license fee into the accident fund.

(Further provision would have to be made for complete publicity and statistical reports in the form prescribed by the board of insurance commissioners.)

Section 12. *Employments covered.* The employments covered would include all that have a clear trade hazard, except farming and except persons engaged in interstate commerce.

Section 13. *Settlement of disputes.* If the amount of compensation granted by the board is believed to be erroneous the employee or employer may appeal to a board of arbitration, previously organized in each locality. From this board an appeal could be taken to the insurance commissioners and thence to the courts if the decision was not satisfactory to all concerned.

WORKINGMEN'S ACCIDENT INSURANCE— DISCUSSION.

F. L. HOFFMAN: The two interesting and instructive addresses by Professor Lorenz and Miss Eastman touched upon a most important phase of modern labor legislation. A tendency toward a more adequate method of labor protection is manifest throughout the world, and it is not, of course, limited to the United States. The plan proposed by Professor Lorenz is ingenious, but not, in my opinion, a practical solution of the problem which confronts us. I think we are all agreed that the risk to life and health in industry should not fall upon the wage-earner but upon the industry itself. The facts presented by Miss Eastman are a most valuable contribution to our very limited knowledge of the economic loss to wage-earners resulting from industrial accidents. That of course is only one important aspect of the problem, since industrial diseases, properly so-called, are an equally important cause of industrial distress. I wish Miss Eastman had gone further into the facts as she found them and had told us more about individual cases, which, in their final analysis, present the real problem which requires to be solved. Before there is any practical value in discussions of proposed labor legislation, most of all when such legislation involves consideration of insurance, a larger basis of fact is required, and the method to secure such fact is made clearly evident by the researches of Miss Eastman into the industrial accident problem at Pittsburg. As I conceive the problem, from perhaps an entirely different point of view, the best prac-

tical solution, for the time being at least, is offered by legislation along the line of the British Workman's Compensation Act of 1906. That act is not limited to industrial accidents, but also includes compensation for industrial diseases, and the term "workmen" is made to include everybdy who is in the employ of another, with the exception of persons earning more than 250 pounds sterling per annum unless engaged in manual labor. The act, which went into operation on July 1, 1907, brought six million more workers within its privileges. It has properly been pointed out that among the most salutary of the new provisions contained in the schedule are those which require compensation in the case of death to be paid into court, and which require all agreements for the redemption of weekly payments by a lump sum, and agreements for settlements with dependents, or with persons under a legal disability, to be registered in court. The former of these provisions will go far, in the opinion of a commentator on the act, Mr. W. A. Wills, "toward preventing the squandering of these sums and toward securing their application to the purposes for which they are awarded."

I am of the opinion that the more carefully the workings of this act are considered, the more applicable this form of labor compensation will appear to be to our own method of legal procedure and conceptions of social justice.

With regard to the German system of so-called government insurance, it is necessary to keep in mind the all-important fact that what the German government does is not to furnish insurance in the strict sense of the term, but that the system is in fact and in truth a modified employers' liability on the one hand, and a modified poor-law provision on the other. I am not aware of anyone having

made a sufficiently thorough, critical, and analytical investigation of the system, with the one possible exception of the distinguished president of this Association; and, before any definite conclusions are arrived at with regard to the applicability of this system to any state in the United States, a much more competent and thoroughly impartial investigation of the actual workings of the different laws will be necessary, and in any event decidedly advisable. Personally I am of the opinion that, while the laws have accomplished much good, they have not on the one hand eliminated socialism, nor on the other have they brought industrial peace. The socialistic vote in Germany was never as large or as influential as it is at the present time, and there never have been as many strikes and lockouts in Germany as have occurred within recent years. It will not do in so important a matter as this to rely upon the official verdict, or the official publications written chiefly in praise of the working of the system, but what is needed is a thorough and dispassionate examination into the actual facts.

Such work as this Association is doing in advancing knowledge and by promoting an exchange of views must needs prove of great benefit in the course of time, and the members of this Association are to be congratulated on the success which has crowned their efforts to coördinate the work of the American Association to the corresponding efforts of similar associations throughout the world. After all, however, I can not but think that in this particular matter of adequate labor protection we are likely to derive the most practical results from a careful study of the English Workmen's Compensation Act of 1906, and of the painstaking investigations which have been made into the facts and conditions of English industry as incorporated in the most valuable report

of the Departmental Committee on Industrial Diseases. It is something very considerably to the credit of the state of Illinois that a similar commission should have been appointed in that state, and it is equally to the credit of the state of Wisconsin that there, for the first time, a beginning should have been made to inquire into the actual facts of industrial accidents. What we are in need of is more light, and towards this end both of the papers which have been read are valuable contributions of their kind.

C. R. HENDERSON : The criticism of Miss Eastman on the bill for workmen's insurance proposed by the Illinois Industrial Insurance Commission is just. The report which accompanied the presentation of the bill will show that the commission itself was fully conscious of the imperfections which Miss Eastman has pointed out. We said that we regarded this bill chiefly as the means of awakening public attention and educating public sentiment. We did not regard it as final. The best legal advice we could obtain did not encourage us to go a step further than we went. Every member of the commission desired compulsory insurance in some form, but we were instructed that no such bill would have a hearing in the legislature or would, if it became a law, pass our conservative Supreme Court. We did outline in the report for the future a plan of insurance somewhat similar to that which is embodied in the German social legislation. It is our judgment now that after two years of agitation, our public will demand a law which goes further than we thought then had any chance with the legislature and with the courts, and bills will be presented which express this advance in public thought on the subject. The leading newspapers, which a short time since totally ignored the

whole subject, are keenly alive to the issue, and give us great aid in educating the public.

DR. FRANKEL: I am somewhat timed in speaking on this topic since I am one of those individuals referred to by Mr. Hoffman, who has just returned from Europe and who has been obtaining his information to some extent from the officials.

I have, however, had opportunity to interview not only officials, but the employers of labor in Germany as well; and, while Mr. Hoffman's solicitude for the latter group is very much to be admired, I doubt very much whether the German manufacturer himself appreciates it. From the interviews which I had with them, they do not seem to feel that they are at all in a bad plight. They fully realize that a burden has been imposed upon them, in that they must pay the cost of the accident insurance. On the other hand, they realize further that the introduction of compulsory accident insurance in Germany has tended to the improvement of industry in general. Partly as a result of this form of insurance, Germany has risen from ninth to third in the list of countries in exports.

Mr. Hoffman is right in assuming that we should not proceed in endeavoring to secure any new employers' liability legislation until we have sufficient facts at our disposal. I admire his caution, but there is a point beyond which caution is unnecessary. Mr. Hoffman's own statement that thirty thousand men were killed by accidents during the past year, with the admirable statistics presented by Miss Eastman this morning, are in themselves sufficient to indicate the need of a change of legislation from that which is common in the United States today. It is immaterial whether there are thirty thousand of such accidents or forty thousand. The important

point to recognize is the existence of these conditions, and the necessity of taking some comprehensive action to overcome them.

JOHN MARTIN: The scheme of Accident Insurance recommended by Professor Lorenz appears to provide that a workman may, at his option, contract out of it and that his employer then ceases to be liable for the share of his contribution to the fund corresponding to this workman's share. Would not every reactionary or backward employer practically require every workman, as a condition of employment, thus to contract out of the act?

THE CANADIAN INDUSTRIAL DISPUTES ACT.

A. SHORTT.

The object of this paper is to give some account of the practical operation of the Canadian act for the prevention of strikes or lockouts arising from industrial disputes connected with public utilities. The observations, deductions and conclusions which are here presented are based chiefly upon the experience of the writer as chairman of eleven different boards of conciliation and investigation, established under the act, and dealing with disputes affecting almost all of the typical forms of public utilities to which the act applies, namely,—railroads, including their telegraph services, lake and river shipping, street railways, coal and metal mining.

No attempt is made to give a systematic analysis of the act, or to discuss in detail the merits and defects of its various provisions. This service has been very thoroughly performed by Dr. Victor S. Clark, of Washington, in his admirable report on "The Canadian Industrial Disputes Investigation Act of 1907", undertaken at the instance of President Roosevelt, and published in the *Bulletin of the Bureau of Labor* for May, 1908. To this report I would refer those who desire to obtain the most complete information available as to the nature of the act, the objects of its various provisions, and the general results of its operation up to the time of the preparation of the report last spring. With so excellent a background for general reference, I feel justified in devoting my paper to certain special observations and deductions derived

from a somewhat intimate experience of the operations of the act.

The title of the act in question, which came into force about the beginning of April, 1907, is "An Act to aid in the Prevention and Settlement of Strikes and Lockouts in Mines and Industries connected with Public Utilities". The short title is "The Industrial Disputes Investigation Act, 1907". But the still shorter title by which it is commonly known in Canada is "The Lemieux Act", so named from the Minister of Labour in the Dominion Cabinet. Yet, as Mr. Lemieux has frequently pointed out, the act was chiefly compiled by the Deputy Minister of Labour at the time, Mr. Mackenzie King.

The act does not undertake to deal with all labour disputes, but only with those affecting public utilities; and even here it does not provide for a compulsory settlement as the result of arbitration. It simply requires that before a strike or lockout may take place there shall be a reference of the dispute to a board of conciliation and investigation composed of three members, one appointed by the employer, another by the employees, and a third selected by these two, or, in default of their agreement, by the Minister of Labour. Should this board be unable to effect a settlement, then, on the presentation of its report to the Department of Labour, the parties are free to adopt any method of settlement they please, including a strike or lockout. Thus, though the board of conciliation and investigation has considerable legal power in the way of summoning witnesses, taking evidence under oath, investigating books and premises, etc., it has no legal power to force a settlement between the parties. If, however, the methods of conciliation should fail to bring the parties to an agreement, the results of the investigation are to be placed before the public in the shape of the

report of the board, through the medium of the Labour Department, and it is expected that this report will afford a basis for the formation of an intelligent public opinion, in the face of which neither the employer nor the employees would care to maintain a position adverse to public sympathy. So far as the experience of the act for some eighteen months may be judged, the general expectation as to the efficiency of its methods has been reasonably justified. Yet, naturally enough, it has met with criticism from both sides, as has indeed been the case with practically all legal or other devices for the adjustment of conflicting interests.

Having outlined the purpose of the act, we may take up the actual operation of a typical board of investigation and conciliation, in dealing with a matter in dispute.

Where both parties have nominated a member of the board, and the chairman has either been agreed upon by the other members or, in default of their agreement, has been appointed by the government, each party as a rule undertakes to present its own case before the board. Where, however, one or other party has refused to nominate a member of the board, either claiming that there is nothing to arbitrate or that it is impossible to recede from the position which they have taken, the board, though completed by the Department of Labour, is very unlikely to effect a settlement. The writer of this paper having had to face two such cases, it was felt that the first thing to be done was to get the objecting party to waive the objections and to agree to take part in the presentation of the case before the board. In both the cases referred to the parties eventually withdrew their objections, undertook the presentation of their cases before the board, and a settlement was ultimately effected in each instance.

When a board is constituted, each party is commonly

represented before it by three persons, usually officials of the company in the case of the employers, and, on the other side, special delegates from a general committee of the employees. This special committee commonly consists of a general salaried officer of the union, not in the employment of any company, assisted by a couple of union officials who are in the employment of the company. Assisting and advising this special committee, there is commonly a larger committee representative of the general body of the employees. In the case of railway and telegraph companies, the general committee is selected from different districts throughout the operation of the system. The general officers of the company, on the other hand, are commonly assisted by minor officials who are in direct touch with the conditions under dispute. As a rule no restriction has been put upon the number allowed to be present on either side.

In the case of all the boards presided over by the writer, it was arranged that there should be no newspaper reports of the proceedings before the board. The objection to such reports has been that the very calling for a board implied that there were more or less radical differences of opinion and assertions of right, which the respective parties were about to lay down and defend, but which, in the course of the proceedings before the board, must be given up or at least greatly modified on one or both sides if a settlement were to be reached. In a court of law the arguments on either side are presented and maintained to the close of the case, the verdict is given by the court and accepted of necessity. There is no objection, therefore, to the publicity of the argument. But where, as before a board of conciliation, the verdict is to be reached by concession and compromise, and voluntarily accepted by both parties, it is not so readily

reached if there is a daily record in the press of every modification of the original claims, which were advanced with confidence and backed with vigor through all the fruitless conferences which have preceded the reference of the case to a board. Moreover, in the presence of the press there is a strong temptation to talk to the gallery rather than to the subject in hand, all of which is very inimical to that attitude and frame of mind which is essential to the settlement of difficult and often bitter disputes, which only come to such a board when all other methods of settlement have failed. As to the interest of the public in the case: when a settlement is reached the chief public interest is served; and when it is not reached a definite and intelligent report of the whole case is presented to the public, which, from such a report, is better able to judge of the real merits of the respective cases than from the fragmentary and picturesque notes of the reporter, wherein the cutting blasts and high temperatures are fully recorded, but the calm weather largely ignored.

Though provision is made in the act for the issuing of subpoenas to compel the attendance of witnesses, and though this has been taken advantage of in some cases, yet our boards never found it necessary to resort to any legal machinery, either to secure witnesses or procure such documentary evidence as was essential to an understanding of the matters in dispute. Where the representatives of both parties to a dispute are in each other's presence, before the board, and familiar with the conditions under which the services rendered are performed, there is little dispute as to actual matters of fact; though there is naturally much difference of opinion as to the conclusions to be drawn from the facts, or the rights and obligations which are connected with them. Where also

no advantage is permitted through an appeal to technicalities, and where all parties are permitted to modify or change their views without prejudice, and where no conditions past or present having an essential bearing on the matters before the board are barred from consideration, there usually results a free and frank discussion of all phases of the points at issue. The result is that in a preliminary survey the majority of the matters in dispute are eliminated, either by the employer conceding the claims of the men or undertaking to remedy abuses, the real character of which is frequently learned for the first time; or by the employees withdrawing their claims on learning how exceptional or intangible they are, or how impossible it is to frame practical regulations covering them. A frequent demand was one for the introduction of some new general rule which, as it often turned out, was intended to cover only one or two special cases, which should have been dealt with by the grievance committee.

Thus, by a process of give and take and the recognition, frequently for the first time, of the real difficulties in each other's situation, very many of the matters in dispute may be disposed of in conference, leaving only those on which the opposing parties hold more or less radically inconsistent views, and the waiving or conceding of which would involve more or less far-reaching consequences. Once the essential differences between the parties have been definitely brought out, and the grounds on which the respective claims rest have been made plain, and once the minor points in dispute have been cleared off or disposed of, there is usually found to be little need for prolonging the discussion between the two parties before the board. Hence at this point, if a settlement has not been reached, the sessions of the board are usually

adjourned. It might seem that, having reached this stage, the board has nothing further to do but to sum up the facts and arguments, reach a decision, and frame an award, leaving to the parties the option of accepting or rejecting it. If both accept the award the dispute is at an end; if not, they are free to continue it or seek a settlement of their own, and in doing so to resort to a strike or lockout. Reports have been presented at this stage, some of which have been accepted and others rejected by one or both parties. Not in all cases, however, where awards have been rejected, have industrial struggles followed; though in the most important cases they have, notably in the recent strike of the mechanical trades of the Canadian Pacific Railway.

In our boards, however, the incident was never regarded as closed when we had submitted our proposals for a settlement and they were not accepted, as sometimes happened. The parties were seldom brought together again, but negotiations between them were conducted by the board with the chairman as a common medium, assisted, in dealing with the employers, by their representative on the board, and, in dealing with the employees, by their representative. Occasionally, however, the chairman conducted the final negotiations alone. The object of these negotiations was to find, on either side, the lines of least and also of most resistance, to overcome prejudice, to plead what seemed to the board or the chairman as the just cause of each side with the other, and gradually to break down or dissolve away the barriers between the parties until so little remained that it was not worth while to risk a great and uncertain struggle for so small an ultimate advantage, even if successful.

While it is true that in labor disputes there is much that is mainly due to mutual suspicion, personal preju-

dice, and perhaps honest misunderstanding of each other's motives and conditions, yet it is also true that there are very real and fundamental economic and social problems to be dealt with, in facing which one may thoroughly sympathize with both sides, and which are not therefore to be disposed of by any amount of good feeling or a clear understanding of each other's position. But, as these fundamental problems must be carefully and frankly dealt with if a settlement is to be reached, it is essential that they should not be complicated by misunderstanding and prejudice, or the arousing of those class and personal feelings which, however trivial and unreasonable in themselves, are, after all, chiefly responsible for the strike and the lockout. Yet, as in the end some settlement of the real problems must always take place, in the negotiations special emphasis was placed on the fact that the real question was not one as to agreement or non-agreement, but as to agreement with or without a strike, and it was urged that it were better to have reasonable concession without loss than concession to mere superior strength, which might or might not be on the side of justice, and where loss was certain to be multiplied manifold.

The character of the negotiations carried on between the close of the proceedings before the board and the final adoption of a settlement, depends upon a great variety of conditions, in which, of necessity, the personalities of the parties presenting the respective cases constitute no small factor, while the state of the labor market and the prospects of trade are naturally important considerations.

While, in certain respects, the board acted merely as a pathfinder, seeking the line of least resistance, yet it had also to lay down and strongly support by all reasonable

argument, backed by concrete demonstration, certain radical principles of practical justice which were not always very readily admitted on one side or the other. There were certain general principles for which the chairman of the board considered it necessary to steadily contend, irrespective of the nature of the dispute in question. The more important of these were the following: first, on behalf of the employees, the wisdom and necessity of recognizing the labor unions, in the sense that no employees should be discriminated against because they were members of labor unions or officers in them; second, on behalf of both employers and employees, the principle of the open shop, in the sense that no one should be forced to join a trades union as a condition of obtaining employment, and hence that all agreements reached, whether negotiated with trades union officials or not, were to apply as between the company and its employees, regardless of whether they were members of trades unions or not. In discussing the schedules of rules and regulations under which services were to be performed and the rights and privileges of employers and employees to be defined and safeguarded, the principle was always maintained that the employer was essentially entitled to manage his own business, while the employees should be free to manage theirs. The company must be as free to judge of its officers and their promotion as the employees to elect their union officials and judge of their services in their interests. This does not alter the fact that it is as unwise for a company to employ an officer who is unable to get on well with his men, be they union or non-union, as it is for a union to elect an officer who is continually making trouble with the employer. Nevertheless the appointment of the one and the election of the other are matters to be ultimately dealt with by the company, on the one hand and the employees, on the other.

The normal problems to be dealt with before boards of conciliation, and which furnish the real and practical bases for negotiation, are those concerned with rates of pay, hours of labor, over-time, conditions of promotion, and reasonable protection for life, limb, and general health. In covering these matters our boards usually discouraged the multiplying of rules and regulations, many of which often attempt to deal either with trivial matters or special cases. In the matter of promotion it was generally held that while seniority should prevail, where all other things were equal, yet it was not in the interest either of the men or of the company that seniority should be preferred to merit. Seniority as the chief factor in promotion is as inadmissible for the efficient conduct of a large and complex business or a public service as it would be in the selection of the chief officers for the administration of the affairs of a trades union. It is true that, inasmuch as promotion by seniority eliminates completely the personal judgment essential to promotion by merit, it enables the union officials to escape a great deal of difficult material for grievance committees. For, however evident it may be to an impartial judge that an individual is legitimately passed over in the matter of promotion, it is but rarely evident to the man himself, and his righteous indignation is apt to enlist the sympathy of his friends and breed trouble for the union officials, which is by no means offset by the self-complacency of the party promoted; for the ills of life are much more clamorous than its blessings. As the domestic troubles of the unions eventually affect their relations with the employers, practical wisdom should counsel a reasonable concession on the part of the employers to promotion by seniority.

In the matter of wages and conditions of employment

it was seldom found possible to accept, in practice, the principle that the same service should be everywhere paid for at the same rate, even as between competing companies in the same locality. There were historic, financial, and other factors, in the case of railways for instance, which rendered it expedient to recognize existing differences in rates of pay and conditions of employment, not only as between different railways, but as between different districts or sections of the same railway. Similarly, in coal mines, street railway systems, etc., uniformity of rates and conditions could not always be maintained. On the other hand, there was a tendency on the part of employers to withhold reasonable information as to the conditions under which different employees were engaged and promoted. As a rule this attitude appeared to be simply the result of historic conservatism and honest prejudice. But the very discontent and suspicion of the employees, owing to the withholding of such information, were frequently regarded as sufficient evidence of the wisdom of maintaining a secrecy which was of little or no advantage to the company, while the occasion of much irritation among the men. On these and similar points it was found necessary to take a stand on principle, and to patiently argue the matter out with one or other, sometimes with both of the parties to the dispute.

In practically all cases there were features in the dispute where the legitimate claims of both parties considerably overlapped. The profits of a company and the wages of its men might be alike below the rates of other competing companies. The geographic and climatic location of a railroad, the hardships and dangers of a water route, the geological peculiarities of a coal mine might render one much more disagreeable, hazardous, or costly to operate than another, while the profits of the company

were not seldom in inverse ratio to the difficulties of operation. And yet, for neither capital nor labor, and still less for the public, was the abandonment of the property a reasonable solution. Here, then, the perfectly reasonable claims of both parties might have to be denied, not on principle, but in practice, and a compromise sought which would be the least unreasonable or unfair for both. Yet, where each side was looking frankly to its own interest, it was the problem of the board to discover a basis of settlement which both parties could be persuaded to accept.

Sometimes when it appeared that all possible grounds for agreement or acceptable compromise had been exhausted, without bringing the parties within each other's range of concession, it was found advantageous to drop the negotiations for a few days and permit all parties, the board included, to ruminate on the matter in all its phases, and then to tackle the residuum once more when the mellowing influences of time and reflection had made concession look less like personal weakness and inconsistency, and permitted perhaps the restatement of the proposed settlement in a more acceptable form, or in one at least which had not the disadvantage of having been explicitly rejected.

As to the general attitude of the leaders of capital and labor towards each other, and towards a board of conciliation, one obtains a variety of impressions, the general outcome of which is a strong conviction that while one may recognize the operation of certain economic principles, yet the personal factor is a very powerful one, and the study of a particular case is more concerned with the manner in which economic principles affect the personal factor than the manner in which the personal factor affects economic principles. But while abstract economic

theories are of but slight application, the study of practical economics is of great value. As experience in this line widens, one is more and more convinced that the method of Adam Smith is very much more real and effective, and hence more truly scientific, than the method of Ricardo, and of some more modern theorists. After all, economics is more a concrete and descriptive science than an abstract or theoretic one.

Where the personal equation of leadership or organizing power is apparent on both sides of the table, though in quite different forms, one recognizes that it is not so much a question of expounding economic principles as of the diplomatic handling of human personalities, the elimination of misconceptions, the removing at once of sensitive suspicion, the memory of old struggles, and the unwillingness to exhibit the apparent weakness of receding from a stand once taken. In dealing with all these primary phases of the subject, however, the man who is equipped with a background of working economic principles, derived from a study of concrete economic conditions, historic and contemporary, has a very great advantage over those who have no similar training. For after all both sides in an industrial dispute, though often scornful enough of ordinary economic doctrine, are themselves the exponents of economic theories which not infrequently differ from those of the schools in being more narrow and more abstract, because generalized from a smaller or more highly specialized range of facts. Thus the value of an economic training in dealing with such matters is not so much that it enables one to make a direct appeal to economic principles in the settlement of disputes, as that it enables one to realize the one-sided or impracticable character of many of the generalizations made by people who have given little or no attention to economics.

As to the general effect of the Canadian law it may be said that the experience of the act throws much interesting light on the relative merits of compulsory and voluntary methods in the settlement of labor disputes. The combination in the Canadian act of the compulsory feature, in requiring the submission of the matters in dispute to a board of conciliation before a strike or lockout may take place, and the voluntary feature, in permitting either or both parties to accept or reject the award of the board, appears to promise the best method of effecting reasonable settlements and of promoting improved relations between capital and labor. Experience indicates that it is impossible, in a democratic community, to compel any considerable number of men to work under given terms of employment; nor, in spite of the hostages to the courts which the property of an employer furnishes, is it possible to compel him to employ any given number of men on certain prescribed terms. Freedom to accept or reject proffered terms of employment, and freedom to manage one's own business are essential to sound economic relations in a free community. Experience has proved also that the compulsory feature in the Canadian act is almost impossible of enforcement where either of the parties considers it advisable to refuse to submit its case to a board. Where such refusal has taken place, however, it has usually been on the supposition that the acceptance of the award of the board was essentially compulsory. Thus it is only the voluntary nature of the ultimate settlement which renders the compulsory submission of a case to a board at all workable. To refuse to submit one's case to a board, where the award is not binding, is a rather obvious confession that the case will not bear investigation, and is likely to invoke the adverse influence of public opinion.

In securing the submission of an industrial dispute to an impartial board, more than half the battle is won; for, in the proceedings before the board, both parties learn, as a rule, much more of the real merits of each other's case than is otherwise at all possible. Moreover, where there exists a constant fear of being committed to some objectionable decision by the evidence presented, in the case of compulsory arbitration, each party is particularly guarded in its own evidence, and particularly anxious to block or counteract the evidence presented on the other side. But where the evidence presented and the discussion before the board do not commit either side to more than they are ultimately willing to accept, and where they are not menaced by the selective whims of a press reporter, there is naturally much more freedom and latitude in the treatment of the case. Many phases of the subject are taken up, and vital relations of capital and labor discussed, in a manner which is frequently of the greatest possible educational value to both sides, and the good effects of which are by no means confined to the case in hand.

Considering how very seldom in their discussion of the merits of their respective cases the weaknesses of their own position and the strength of their opponents are frankly admitted, I have been agreeably surprised to find how readily in the end, even in the discussion before the board, but more particularly in the separate discussions afterwards, each side could be brought to concede the validity of their opponents' position on many points. Another encouraging feature, considering what interests are at stake, is the general calmness and good feeling which prevail in the discussions before the boards. Occasionally the temperature may exhibit a sudden rise when some tender spot is rubbed, but such occurrences are rare.

Much the liveliest case we experienced, in the way of an exchange of picturesque compliments, was one in which two very respectable international unions were seeking to establish themselves on the same base and on the same side of it with reference to a railway company.

There are many reflections suggested by the experience of the concrete cases which have been brought under the operation of the Canadian act, but only a few samples could be presented in this paper. The policy and method of the Canadian act by no means afford a certain remedy for industrial disputes. No practical man dreams that industrial disputes can be prevented from occurring, because there will always be cases where justice unavoidably pertains to both sides. There are, however, many disputes which are chiefly due to historic prejudice, mutual ignorance, and misunderstanding, and it ought to be possible to dispose of most of these, and to effect a working settlement in the case of many of the others. All that one may claim for the essential features of the Canadian act is that, if tactfully handled, they provide a reasonable method of securing the maximum of concession with the minimum of compulsion.

THE CANADIAN INDUSTRIAL DISPUTES ACT—DISCUSSION.

O. D. SKELTON: Professor Shortt's admirable paper leaves little to be said on the working of the act which he has done so much to make a success. I wish mainly to emphasize a few of the points suggested.

It is one of the chief merits of the Canadian measure that it aims merely to supplement collective bargaining, not to take its place. There is no desire, and so far no tendency, to make state regulation of the terms of industry, as in Australasia, the normal procedure. Collective bargaining is assumed as the regular and organic instrument of industrial peace; only when negotiations break down, and paralysis of one of the pivotal public utilities of the country is threatened, does the government step in and insist that a further attempt at settlement must be made, under the guidance of a board entrusted with the double function of making each side realize the other's position, and of informing and focusing public opinion on the dispute.

The conduct of the boards referred to by Professor Shortt is characterized by informality in procedure and by the endeavor to secure the assent of both parties to a basis of agreement before announcing decision. It is to be noted, however, that this course is not the invariable one. Several boards appointed under the act have assimilated their procedure to that of courts of law, and have contented themselves, court-wise, with delivering a judgment on the merits of the case, without further attempt

at securing agreement. The difference illustrates the all-importance of the personnel of the boards.

It is interesting, in view of yesterday's discussion, to note that in effecting a settlement no recourse seems to have been had to the marginal productivity theory of the schools or to any other single abstract principle. The condition of trade in general, the financial position of the company involved, the state of the labor market, the strength of the union organization, changes in the cost of living, are among the factors given weight. This means oftentimes compromise, but it does not, as is sometimes charged, involve splitting the difference: there is a world of distinction between compromising in view of real factors of strength on both sides and splitting the difference between artificial demands.

The framers of the act relied on the power of an informed public opinion to procure the acceptance of awards. Where the issues at stake were important enough to attract wide attention their trust has been justified. Even in such a case of seeming failure as the rejection by the Canadian Pacific Railway machinists of the board's award, followed by a strike of 8000 men, it was very largely the unwonted and almost unanimous support of public and press—the men complained that only three newspapers in all Canada gave them aid—which enabled the company to persist with a crippled service and to import strike breakers by hundreds from Great Britain and thus end the strike. Public opinion plays a further rôle, not at first assigned to it. The act provides penalties of fine and imprisonment for failure to submit a dispute to investigation before declaring a strike or lockout. It still remains to be proved, however, that these provisions, especially the imprisonment penalty, could be or should be enforced in the teeth of widespread and determined

resistance. The real sanction is the fear of public disfavor.

Labor organizations have been by no means unanimous in their attitude toward the act. The Trades and Labor Congress has twice approved the principle involved. The railway unions, more immediately concerned than many of the trades represented in the Congress, opposed the measure at its introduction, and still oppose it, though less irreconcilably. Among the out-and-out opponents of the act suggestions range from the complete abolition of its anti-strike provisions, as ably argued by Mr. David Campbell, of the Railway Telegraphers, to the somewhat paradoxical conclusion of Mr. J. H. McVety, of the International Machinists, that the act should be extended to cover all industries, acceptance of awards made compulsory, and boards elected by popular vote for a four-year term. More moderate critics, however, recognizing the improbability of such radical action, are directing their efforts toward securing the adoption of certain amendments, which will be laid before the Dominion government during the coming session of Parliament. It is impossible to forecast the exact scope of the demands to be made; among the specific suggestions recently made, however, there may be noted the following: the prohibition of the importation of strike breakers into the locality while the investigation is pending—a demand in harmony with the spirit of the act, and fair in view of the handicap the men are under through being deprived of their strongest weapon, the power of sudden action; extension of the Alien Labor law to include Great Britain—a demand likely to incur much opposition on political grounds; elimination of the provision that none but British subjects are eligible to act as members of boards—a provision which is a play to the gallery quite out of

keeping with the realities of international unionism; and an amendment permitting officials of a union to declare that a strike is likely to occur if the act is not invoked, without going to the trouble and expense at present imposed by the necessity of taking a vote of the members before making the declaration. At its Halifax convention in September the Trades and Labor Congress instructed its executive, in the event of the government refusing to grant the amendments desired, to submit a referendum on the advisability of repealing the act, to the trades affected, and pledged itself to abide by the result of the vote.

VICTOR S. CLARK: Professor Shortt reveals his experience in the field of arbitration by laying main stress in his paper on methods of administration rather than on the machinery of the Canadian act. For the main thing is the personnel of the boards and the way they interpret their duties—the success of the law depends upon the tact and fairness of the persons who operate it. Practically, the machinery in itself is a subordinate thing.

I do not think that public opinion alone will prevent strikes, though it may lessen their number and mitigate their evils. In New Zealand and Australia strikes are prohibited by law, investigated by public tribunals, and the merits of every dispute are brought fully before the bar of public opinion. That is, the sanction is public opinion backed by fines and imprisonment. But within two years there have been in New Zealand several important strikes in violation of the compulsory arbitration act; and serious strikes have occurred in Australia in defiance of similar laws. The recent tram strike in Auckland, the largest city of the former colony, was a strike about as big and inconvenient for the public as could have hap-

pened in connection with a private enterprise, and it was settled by a special commission outside the arbitration act. The tram strike in Sydney, at nearly the same time, took a similar course. In neither case did public opinion play any appreciable part in preventing an open rupture between employers and employees. Therefore I do not look forward with very sanguine expectation to seeing the Canadian law prevent strikes through public opinion alone. The great value of the act—and its value is great—lies in its providing a negotiating rather than an arbitrating body, and in thus preventing strikes by bringing the parties to a voluntary settlement, and not by holding over them any sort of a club in the shape of a penalty—moral or otherwise—for striking.

The stronger unions in Canada, directly affected by the law, are not favorable to its present provisions. This applies especially to the railway unions and the Western Federation of Miners. On the other hand, weaker unions regard the intervention of the government favorably. My impression is that the rank and file of the workers like the law better than do the leaders of the organizations. At least my personal interviews with the men pointed that way. If a locomotive engineer or fireman, met on a railway platform, knew anything definite of the act, he spoke of it at least without hostility, and often in a friendly attitude; but all the general officers of the engineers' and firemen's unions seemed clearly opposed to the law.

A chief argument against the Canadian procedure, on the part of well organized workingmen, is that it delays a settlement until the condition of the labor market has changed. The labor leaders say that, when free to strike on the moment, they can negotiate an agreement with their employers determining wages for some time to

come, on the crest of the market,—when the demand for labor is most active and wages are highest. But if they must delay in order to negotiate before striking, as the present law requires, their settlement is likely to be based on the state of the labor market at some date a month or two months later, when conditions are more favorable to employers. They ask pertinently enough whether, assuming labor to be in a market sense a commodity, the seller of any other commodity, like wheat or provisions or coal or pig iron, would care to submit to prices prepared for him some weeks after the time *he* thought most favorable for selling.

I intended to underline several paragraphs of Professor Shortt's paper, but Professor Skelton has anticipated my comments. The Canadian law has up to the present promised better than any other law to prevent strikes. It does not touch—as do the Australasian statutes—the equally important question of sweating. We shall see—in fact we already do see—the latter acts turning more and more to remedying the ill condition of underpaid women and children, wage boards being substituted for arbitration courts; but, because this is less spectacular than stopping great industrial conflicts, it is sometimes regarded as a minor function—when it truly is a major function—of Australasian legislation. Into this field the Canadian law does not pretend to enter, but in its own peculiar field it gives most promising results.

THE INFLUENCE OF INCOME ON STANDARDS OF LIFE.

R. C. CHAPIN.

It goes without saying that the standard of living attained does not depend simply upon income. The natural environment—climate, the free gifts of nature—the social environment, whether urban or rural, the efficiency of government, the opportunities for recreation and education which are provided gratuitously—all these have a marked influence upon the plane of life that men attain. Furthermore, the actual comfort enjoyed by a given family depends hardly less upon the amount of its income than upon the wisdom displayed in applying it to the diverse wants which it may be made to meet. The woman who “looketh well to the ways of her household” is as important a factor in our time as she was in the days of King Lemuel.

But into these wide aspects of the question it is not my business to enter. I shall deal with the influence upon the standard of living of income alone, and I purpose to consider the effect upon the standard, first, of variations in amount of income; second, of variations in sources of income. I shall draw for illustration largely upon the results of an investigation into the standard of living in New York City carried on in 1907 under the direction of a committee of the New York State Conference of Charities and of the Sage Foundation. Returns were compiled from 391 families of four, five, and six persons each, 318 having incomes between \$600 and \$1100.

I. *Variations in amount of income.*—It is plain that the larger the income, the larger are the possibilities of satisfaction. One of the evidences of a general rise of real wages in the nineteenth century is the increase in the number and kind of good things that are within reach of the ordinary man, and actually in his possession. We know, that is, that the rise of the standard of living so as to include trolley-rides and daily newspapers and silver-plated ware must be the result of a general increase in family income. But we can go farther than this. Ernst Engel has taught us to look at the apportionment of income among the principal objects of family expenditure, and to see just how changes of income work out in changes in the elements of the standard of living—what kinds of things are added as income increases, what are omitted as income falls.

On the basis of returns from 199 Belgian families, gathered in 1855 by Ducpetiaux, Engel made out his familiar table of percentage expenditures for Saxon families of three income-grades. He found that the poorest families, whose income was under \$300 of our money, gave for food 62 per cent of all that they spent. Families having from \$450 to \$600 spent 55 per cent for food, and those with from \$750 to \$1000 spent 50 per cent for this purpose. Hence he made his generalizations that, as income increased, a less and less part of it was needed for food, and that the percentage of expenditure for food was therefore an index of the degree of prosperity attained. He applied this standard in a later work to the wretched English peasants whose budgets had been collected by Eden in 1797, and found that the average of their food-expenditure was 73 per cent of their total expenditures. The generalization regarding the tendency of the food-percentage to diminish as the income increases

has been verified in many later compilations of family budgets. The *Report of the United States Bureau of Labor* for 1903, for instance, finds a decline in food-expenditure from 47 per cent among families having incomes between \$400 and \$500 to 40 per cent for families with incomes between \$900 and \$1000. Colonel Wright's Massachusetts investigation of 1875 showed a decline from 64 per cent for families having less than \$450 a year to 51 per cent for families having over \$1200 a year.

As the demands of the stomach are more easily met out of the larger income, what expenditures are increased to correspond? Engel's Saxon tables show a constant percentage for housing and for fuel and light, a slight increase for clothing, and a rise in the percentage allotted to expenditures outside of immediate physical necessities from 5 to 10 and from 10 to 15 per cent as we ascend the income-scale. This indicates that, along with somewhat better provision for food and shelter, it is possible for the family to indulge in more attractive clothing and household furnishings, and to spend something for amusement, for reading matter, and for minor personal indulgences.

All reports agree as to the broadening of the plane of living, with rising income, in regard to expenditure for the satisfaction of these culture wants. Not all, however, coincide with Engel's data in regard to a constant percentage for rent and for clothing. Colonel Wright's figures for the United States at large in 1901 show a nearly constant percentage for rent (17 to 18 per cent), but his Massachusetts report of 1875 shows a decline in the first three income-groups from 20 to 15.5 and then to 14 per cent, followed by a rise to 17 per cent and a drop to 15 per cent. Recent investigations in New York, that of Mrs. More in her *Workingmen's Budgets*, and that of the Committee of the New York Conference, agree in show-

ing a steady falling-off in percentage expenditure for rent with each increase of one hundred dollars in income. The percentages found in the latter inquiry were 24 for incomes between \$600 and \$700, and for successive income groups, rising by \$100 stages, 22, 20, 19, 18, 16—the last for incomes over \$1100. The congestion of population in New York, fortunately exceptional, doubtless accounts in part for the fact that in that city house rent claims one-quarter of the \$600 incomes.

An examination of the percentages expended for food, housing, and other purposes suggests that the proportion of income devoted to each of them may not always move in the same direction as we pass from one income-group to the next higher. The \$400 families in the *Labor Report of 1903* spend a higher percentage for food than the \$300 families. If the comparison is carried far enough upward in the scale of incomes, a point is reached in New York where rent ceases to fall off in percentage expenditure, and clothing ceases to demand a larger proportion than in the group preceding. The fact seems to be that each of the three primary wants takes its turn in urging its claims most vociferously, and when these have been pacified, the desires for the things that make life worth living begin to be heard. In regard to each class of wants in turn a point of relative saturation is reached, and a more adequate satisfaction of the next one becomes possible.

In New York City the most imperative need on the lowest incomes is for housing. Some place of shelter must be provided, and, however wretched, it will not be cheap. Thirteen dollars a month was the average rent paid by seventy-two families whose average income was \$650. But this amounts to \$156 a year, or 24 per cent of the total income. When the cost of shelter demands a quarter of the whole income, food and clothing must

take what is left. But the accommodations obtained as the minimum that can be lived in by the families with \$650 a year are practically good enough for those with an income one and two hundred dollars greater. Seventy-three families whose income averaged \$846, spent only fourteen dollars a week on the average for rent. But this was only 21 per cent of their larger total expenditure. Meanwhile their food percentage was practically as high as that of the \$650 group (44.3 per cent), representing an increase in average amount expended from \$290 to \$360.

In food the point of diminishing percentage was not reached until after the \$1000 line was passed. The food-percentage increased, as with the families in the *United States Labor Report* of 1903, on passing from \$400 to \$500, and from \$500 to \$600. This may be due in part to exaggeration in the returns of expenditure for food. In part it was due to the fact that until an increase of \$800 was reached one-third of the families were underfed. The proportion of the total food-expenditure that was given for animal food increased, and that expended for cereal food diminished. The cost of animal food comprised 29 per cent of the total food bill of the families in the \$600 income-group, and 32 per cent of those in the \$1000 group. Cereals dropped correspondingly from 21 to 17 per cent. The expenditure for alcoholic drinks increased, taking into account only those families that reported this item, from the average of \$27.25, or 4.2 per cent of the total expenditures in the \$600 group, to \$59.96, or 5.2 per cent, in the \$1100 group.

Clothing comes last of the three to a constant or a diminishing proportion of the expenditures. In the New York families under consideration the percentage expenditure rises slightly with each increase of \$100 in income

until the \$1100 group is reached, and thereafter remains constant at about 15 per cent.

The expenditures for other purposes than these three primary necessities are kept under until these wants are met. By the time something like an equilibrium among these three has been reached, say at \$800 for our New York families, the expenditure for recreation, social obligations, care of the health, and all other purposes save fuel and light, claims a larger proportion of the income. The proportion is 1 per cent higher at \$700 than at \$600, but at \$800 it rises from 14 to 16 per cent of the total expenditure, and continues to increase without sign of stopping. That is, the culture-wants are beginning to claim their own, which, under the necessity of keeping the wolf from the door, they could not be permitted to have.

A striking example of this tendency of subsistence-wants to claim the lion's share of all increasing income is found in Engel's comparison of the Belgian returns of 1853 with those of a similar investigation made in 1891. At the latter period, although the average income had nearly doubled, the expenditure for food comprised 65.7 per cent of the total in 1891 as compared with 64.9 per cent in 1853. In fact, food, clothing, rent, and fuel and light consumed 96 per cent of the income in 1891 and only 94 per cent in 1853.

The same general conclusion as to the relative insistence of the several classes of wants may be drawn from another method of handling the New York returns. A minimum standard, as exact as could be determined, was applied to the expenditures for food, clothing, and housing, and the number of families counted in each income-group who came short of the standard. For food, the minimum was set at an expenditure at the rate of 22 cents

per man per day, as calculated after the manner made familiar by Professor W. O. Atwater in the Bulletins of the Department of Agriculture. This figure was reached, after an analysis of one hundred of the family reports, by Dr. Frank P. Underhill, of Yale University, a competent expert. Professor Atwater's estimate on the basis of data gathered in New York City a few years previous, when a lower scale of prices prevailed, was from 23 to 25 cents. For housing the minimum was fixed at one and one-half persons per room, that is, not more than six persons to four rooms. For clothing the minimum was set at an allowance of \$100 for the assumed family of five persons, expenditures for washing being included in this sum.

For our present purpose the accuracy of these estimates of a minimum requirement for physical efficiency does not concern us, but only the variations in the departures from them that appear in the several income-groups. Measured by these standards, of the families with incomes between \$400 and \$500 all are underfed, 88 per cent are underclad, 63 per cent are overcrowded. That is, the want of shelter is being satisfied at the expense of food and clothing. In the next income-group (\$500-\$600), the underfed are 65 per cent, the underclothed, as before, 88 per cent, the overcrowded 71 per cent. In paying more attention to the need for food, less attention is paid to shelter. A higher rental is paid, but more persons are crowded into the accommodations offered. In the next income-group (\$600-\$700) the underfed have fallen to 33 per cent, the underclad to 63 per cent, the overcrowded to 57 per cent. For every income-group thereafter, the overcrowded families preponderate over both the other classes. Even in the \$1100 income-group 21 per cent are overcrowded, but none underfed, and

only 6 per cent underclad. These figures, taken as a whole, imply that the most urgent need at the minimum income is for shelter, out-clamoring not hunger perhaps, but at least the want of adequate food. With a larger income a pause can be set to the desire for better housing, while more attention is given to the providing of food. With an income still larger, of \$900 and above, the deficiencies in diet are supplied, and at \$1000 the minimum allowance for clothing has been attained by practically all the families. Not even at this point, however, does the desire for adequate housing, at the price which must be paid for it, suffice to persuade more than three-fourths of the families to go without enough of other things to secure it.

Another alternative to expansion of expenditures, for whatever purpose, as income increases, is saving. Saving becomes easier, as income increases. But the point where savings begin is not necessarily the point where a standard even of physical efficiency is attained. There are families that save at the expense not only of comfort, but even of health, and there are families that no increase of income would induce to save. Of the underfed families just alluded to, one-half reported a surplus of income over expenditure of at least \$25; 65 per cent of the families reckoned as underclothed, and 44 per cent of the overcrowded likewise reported such a surplus. When this is compared with the percentage of all families that reported a surplus, namely 36.5, it seems fair to infer that the desire to save represses expenditures to meet actual physical necessities.

On the other hand, by no means all families on a larger income preferred saving to spending. Not until \$1300 is reached is there a constant increase in the number of families that report a surplus of income over expendi-

tures. This indicates that there are Micawbers on large incomes as there are misers on small incomes, but also that the social influences of New York City, at least, encourage adding to the good things included in standards of living quite as much as they encourage saving. The proportion of savers among the Russian and Italian families was found to be much higher than among families of more thoroughly Americanized stock.

On the whole the conclusions drawn from the New York investigation substantiate the restatement of Engel's "laws" given by Stephan Bauer in his article "Konsumtionsbudget" in Conrad's *Handwörterbuch*, as follows:

With increase of income:

1. The proportion spent for food, especially for vegetable food, falls.
2. The proportion saved constantly increases.
3. The proportion spent for housing, fuel, light, falls until a certain income is reached, then remains constant or increases.
4. The proportion spent for animal food, drink, clothing, culture, and recreation rises until a certain income is reached, then remains constant or falls.

II. *Source of Income*.—The real standard of life enjoyed by a family is profoundly influenced by the sources from which its income is derived. To explain, let me make a classification, on the basis primarily of amount of income, of the relation of income to family life. Let us consider five classes:

1. The income is so small that the family cannot be maintained, but is broken up. Our charitable societies are only too familiar with cases of this kind. The father is incapacitated by accident or disease, or the supplementary earnings of other members of the family are cut off—from whatever cause, the income is diminished to a point where it is so far below the needs of the case that unless

liberal relief is given the family must be broken up and the children provided for outside of the home.

2. The income is inadequate to the maintenance of a normal standard, but the family is kept together, living on a plane below the requirements for the working efficiency of the parents and the healthful bringing up of the children. It is possible to maintain life for a long time on a diet of bread and tea. Human beings can exist although sleeping three or four in a room. Dr. Foreman's budgets of the Washington poor contained instances of regular underfeeding for one week in each month—the week in which the monthly rent had to be paid. The figures already cited regarding underfed and overcrowded families, even on incomes of \$700 and \$800, are evidence that cases of this class are only too frequent. The outcome in the long run is the early extinction of the family under the attacks of disease, or race deterioration, as in the case of the London "hooligan".

3. The income adequate in amount, but adequate because the wages of the father are supplemented by the earnings of his wife and children. Such a family may maintain a normal standard, provided the children are fairly of working age and are not overworked. But where the mother's employment takes her away from the home and where the children are set to work too young, the real standard of living is lowered. The family income cannot be as wisely expended when the mother is away all day, and the addition of outside employment to the woman's domestic work makes a burden that often impairs her health. The earlier a child goes regularly to work, the more is cut off from his rightful inheritance of opportunity to improve upon his father's standard of living.

4. The income adequate in amount, but made adequate

by taking in lodgers or boarders. This case is similar to the preceding, and the effect upon the solidarity of the family, economic considerations aside, is hardly less deplorable. The taking of lodgers not only introduces outsiders into the midst of the family, but it frequently means an impairment of a normal standard in the matter of housing. Recent investigations have brought out the facts regarding the crowding of many tenements with lodgers. The relative frequency of the practice is perhaps indicated by the fact that one-half of the families included in the investigation of the New York Conference Committee were taking lodgers. The proportion increased with the increase in amount paid for rent—23 per cent of families paying from \$10 to \$14 a month for rent took lodgers, but they were taken by 62 per cent of the families paying over \$16 a month. The results in overcrowding are shown in the fact that 70 per cent of the families having lodgers were reported as below our arbitrary standard of housing accommodations.

5. Families with adequate income, derived from sources such that the well-being of the family is not impaired. These families are the only ones that can be said to have reached a decent standard of living. They are the only ones in which the children have a "white man's chance" for the future. They are, for the most part, families supported by the father alone, or by children who are far enough along to handle their own wages and pay their own board into the family treasury. The number of families where the father really supports the family is not so large, among the wage-earners of our American cities, as is popularly supposed. Especially in those occupations where men's wages are not over two dollars a day they are the exception, not the rule. Forty-eight of the laborers, teamsters, and garment workers included in the

New York Committee's report, gave in a family income of from \$800 to \$1000; but in thirty-eight cases the father's earnings were supplemented from other sources. In almost every compilation of workingmen's budgets that has been published in this country has appeared the same frequency of composite incomes among families reporting the higher amounts for total income. Further, among the families with composite income the proportion of underfed and of families reporting deficit is greater than among the whole number of families. This means, of course, that the family of a man with a \$600 wage can maintain a standard that calls for an expenditure of \$800 only by endangering the integrity of the family life by taking lodgers or sending mother and children out to work. In other words, the standard of wages does not reach the standard of living.

The influence of income on standard of living, therefore, may be traced in reference both to amount and sources of income. As the amount of income increases expenditures increase most rapidly along the line of the strongest desire, unsatisfied hitherto. This desire is likely to be the desire for better food, then for better clothing and shelter, until what may be called a saturation point for these essentials has been reached. As this point is approached, expenditures for things not connected with immediate material subsistence claim a larger share of the income, and finally increase most rapidly of all. At what point the desire for material subsistence is offset by the desires for cultural goods, or by the desire to save, cannot be determined exactly. A minimum point is fixed by the environment, natural and social. The education of the particular family, the custom of its social equals, are the forces that determine at what point above the subsistence minimum the income will be diverted from physical satisfaction to the meeting of higher wants.

The maintenance of a decent standard depends on the father's earning, in ordinary cases, enough to meet the wants of the family until the children are really fit to go to work. When the father's earnings have to be supplemented by the earnings of others, or by taking lodgers, the standard of life is lowered and the integrity of the family is imperiled.

THE FAMILY IN A TYPICAL MILL TOWN.

MARGARET F. BYINGTON.

The effect of our industrial system on family life is in most cities rendered indefinite by the presence of complicating factors. In a small community, however, which is dependent on a single industry, the factors of the problem are simplified, and therefore the relation is clearer and the conclusions are more obvious.

For this reason I venture to offer a very simple and concrete description of the type of family and the conditions of family life in a steel-mill town, believing that it may serve at least as an illustration for this afternoon's discussion. The facts offered are the result of a six months' investigation as to the cost of living in Homestead, and are, I believe, true in the main of the steel towns of the Pittsburgh district.

When in 1881 Klomans started to build a small steel mill, he located it in a village seven miles from Pittsburgh, appropriately enough called Homestead. The industrial development of the city had seemed too remote to affect it. But the mill became a part of the United States Steel Corporation and is now the largest steel plant in the world, while the village, which has grown with it, now has a population of about 25,000. Not only did the initial impulse of the town's growth come from the mill, but throughout, the industry has, for two reasons, definitely determined Homestead's development; one, that as there is no other considerable industry in the town the men are dependent for occupation on the mill; the other, that since the strike of 1892, when the power of the Amalga-

mated Association came to an end, the corporation has, by its decisions as to wages and hours of labor, determined, practically without hindrance, the conditions under which the men live. Because of these two factors we may consider that the social and economic institutions of Homestead are typical of those which a powerful, organized industry is likely to develop: a statement limited by the fact that conditions would be very different in a community where the prevailing industry was of another type.

The conditions to be discussed are simplified by a marked homogeneity of type in the families of Homestead, in itself a result of the industrial situation. Marked distinctions of wealth are totally absent. Two groups do indeed exist with different standards and no common interests,—the Slavs, and the English-speaking workers,—but this distinction is of race rather than of wealth. The Slavs are usually day laborers, while the majority of the English-speaking men are skilled or semi-skilled; but in spite of these differences both groups are wage earners. Even the number of professional men is not as large as in a town farther from the city, while the owners of the mill—the stockholders—scattered throughout the country, knowing their property only as a source of dividends, have no part or interest in the town's development. As a result, this town of workingmen has not the lack of mutual understanding resulting from great differences in wealth and standards, but neither has it the stimulus which comes from the presence and leadership of men of education and leisure. What the town offers is what the working people have created for themselves under the conditions imposed by the industry.

From the standpoint of family development, probably the most significant fact about the town is that it offers

work for men only. Aside from the steel mill and one machine shop, the only work in the town is in providing for the needs of the workers, with but chance work for women. As Pittsburgh is a forty-five minutes' car ride distant, the work it offers is not easily available. The wage in the mill, moreover, though by no means abundant, is fair and steady. The laborer earns at a minimum rate of 16½ cents an hour, \$1.65 a day, while the semi-skilled or skilled workers earn from \$2 to \$4, and occasionally as high as \$5 or \$6 a day.

The work is, in addition, regular. From the panic of 1893 to that of 1907 I am told that the mill was not shut down for a single day. The day men, therefore, who are paid their full wage unless the mill actually closes, have a steady income the year round, except in periods of industrial depression. The tonnage men, who are paid according to output, do feel even a temporary cutting down of orders, but, as they are the ones who ordinarily receive the highest pay, the occasional lessening of their wage is not so disastrous.

As a result of these factors, the town in general seems to have adopted the position that the women should stay at home, and by good housekeeping make the money go a long way, rather than go out to work and earn a little more. This is shown concretely in the incomes of those families whose budgets were secured for the investigation. Among the English-speaking people the husbands and sons contributed practically the entire income, 92.8 per cent among the native whites and 94.6 per cent among the English speaking Europeans. There was no income from the work of women unless one would so consider what was received from lodgers. This constituted 4.6 per cent of the total income in the European group and 2.7 per cent among the native white.

We find, then, that as a result of the kind of work offered the town consists of a group of workingmen's families in which the man is the breadwinner. The effect of the industrial situation is further shown in the work of the children. The girls show little more tendency than their mothers to become wage earners. In the thirty-eight English-speaking families there were fifteen girls over fourteen, not one of whom was at work. Four were in the high school, the remainder at home helping with the housework. While this is probably an extreme figure, as some girls in Homestead do go to work in stores or offices, it reveals a general feeling in the town that "The home is woman's sphere." While one may question whether from the standpoint of the present the additional income from the girl's wages would not add more to the comfort of the family, than her help in the household, from my acquaintance with housekeepers of all sorts I am convinced that good home training is invaluable in preparing girls for their own homes later. The four champion housekeepers of my acquaintance were the daughters of Pennsylvania farmers. One of them, when I expressed my surprise at how much more she had accomplished than others with the same income, gave as the reason for her success that girls who had been in stores or factories had no training in management and were quite helpless when they faced a housekeeper's problems.

The situation, as far as the sons is concerned, is somewhat different. Fifteen of the seventeen boys over fourteen were at work contributing, among the whites 9.6 per cent, and among the English-speaking Europeans 18 per cent of the total income. Though the other two boys were still in the high school, we find on the whole a marked absence of interest in academic or even in technical training for these sons. As the daughters, instead

of learning trades, are at home becoming practical house-keepers under their mothers' direction, so the sons, following in their fathers' footsteps, are entering directly into the practical work of the mill to get there the training for future success. That the best paid men in the mill, such as rollers and heaters, have secured their jobs through experience in the mill rather than through outside training, has doubtless much to do with this attitude. Through the influence of the fathers, the boys sometimes go into the mechanical department, or get what are known as pencil jobs, where the work is light and apparently more gentlemanly, but where the pay is seldom so high. Usually, however, they begin in the regular boy's work, as messenger boys in the yards, or door openers. Though this gives no special training for the future, as the line of promotion is not usually open, a boy has a good chance of becoming at least a semi-skilled workman on fair pay. Promotion is sometimes unduly rapid, however, so that boys of sixteen or eighteen are earning men's wages, with little chance of further promotion. One woman, who regretted that her son had not learned a trade, said that he was unwilling to go through a long apprenticeship when in the mill he could earn good pay at once. In spite of the fact that because of long hours and the danger from accident women often wish their sons to take some other work, they usually do go into the mill. This means that, as for some years they stay at home and contribute their share to the family income, they create a period of economic prosperity. The family is at this time often able to make extra provision for the future, as, for instance, buying a house.

We find, then, that the industry has by its very nature helped to create a normal type of family life. But in those factors where it has a choice open to it, such as wages

and hours, has it by its decisions made possible for these families a genuine home life, a carrying out of their ideals for themselves? For two facts must be considered in any study of standards of living,—one the limitations or opportunities from without, which the family cannot affect, the other those family ideals, sometimes limited in themselves, sometimes hampered by outside forces, which are continually struggling toward realization. How far are Homestead's ideals realizable on the pay the mill offers?

It is impossible in the limits of this discussion to consider at all in detail the results of the budget investigation in Homestead. Figures are too complicated without elaborate explanations. A few facts, however, may be used in this general discussion.

To my mind the fundamental fact brought out by the investigation was that the question of expenditure is always one of choices, of doing without some things in order to get others. This may seem axiomatic, but when applied to a wage of less than \$12 a week it expresses pretty much the whole problem of life. Do we find that in order to carry out ideals of home life, such as having an attractive house, making due provision for the future, or buying a house, certain absolute essentials must be gone without? Any study of the budgets of families receiving less than \$12 a week, or even those earning from \$12 to \$15, demonstrates very clearly that this is the case. As the unskilled men who earn \$10 and \$12 a week compose 58 per cent of the employees, it is worth while to consider briefly the problem which this large percentage of Homestead's population is facing.

To indicate its extent I will give the average expenses of forty families with an income of less than \$12 a week. Of a total expenditure of \$530 a year, \$241 goes for food, \$103 for rent, \$50 for clothing, \$18 for furniture, \$25

for fuel, \$11 for medical care, and \$13 for tobacco and liquor. In addition, an average of \$38 was spent annually for insurance, leaving but \$31 a year for amusements of all sorts, church expenses, savings, and the necessary sundries. Now, obviously no one of these items is adequate, to say nothing of being superabundant. Rent, for example, at \$2 a week provides only a two-room tenement, and that without water or toilet in the house. Food at \$4.64 a week would mean for a family of five only twenty cents a day, two cents a day less than Professor Chittenden estimates as absolutely essential in New York. Fifty dollars for clothing is just one-half the sum Mr. Chapin gives as necessary. The tobacco and liquor item, which is especially large among the Slavs, could of course be cut with profit, but in no other way can that pitifully small sum of \$31 be increased. Yet from that sum savings must come if there are to be any.

The different nationalities meet this problem in varying ways, according to their ideals. Among the native white families a comfortable house is an essential proof of respectability. Consequently, we find that they spend for rent 21.2 per cent, as against 16.4 per cent among the Slavs. On the other hand, the Slav spends 54.3 per cent for food, while the native white spend but 44.7 per cent. That is, the Slavic family will have enough food anyway, while the American demands a big enough house. Inadequate food or bad housing alike endanger physical efficiency, while with overcrowding any semblance of home life becomes impossible. In neither group is there any margin for amusements.

It is not a question of good management. The cleverest housekeeper I know was doing marvelously on \$14 a week, and the following statement of her average expenditure for eight weeks shows how she did it: Food,

\$7.05; clothing \$0.57; household expenses, \$0.59; rent, \$2.50; insurance and lodge dues, \$0.65; church and charity, \$0.09; recreation and spending money, \$0.03; doctor \$1.46; sundries \$0.35. Though, as you may see, she was keeping the unessential elements of expenditure at their lowest point, her food supply was still quite inadequate. I found by a rough estimate that it was deficient about 20 per cent in both proteids and calories. The budget revealed a wise choice of foods aside from a possibly extravagant expenditure for fresh fruit and vegetables. If a skillful woman of Pennsylvania Dutch stock cannot manage on this wage, what can be expected of the average housekeeper?

The necessity of facing these problems three times a day has its effect also on the overtaxed mother. One woman, who on an income of from \$2 to \$3 a day was providing for five children, had bought a small farm and was carrying heavy insurance. In order to accomplish this, she told me, she must not spend even five cents for a visit to the nickleodeon. When she described to me her hunts for bargains and her long hours of sewing to make her girls presentable, I did not wonder that she had the reputation of being a cranky person.

These two women were Americans, but by far the largest majority of the laborers are Slavs, and it is among them that we find the worst results of the low wage.

The mill has sent out a call for young vigorous men who will do its heavy work for a small wage. In answer to this has come a great number of Slavic immigrants. As is often true of a new group, most of these men are either single or with families in the old country. Of the 3602 Slavs in the mill, 1099, or 30.5 per cent, were single men. This has had a disastrous effect on the family life

of the Slavs, for these men usually board in families of their own nationality who live in the wretched courts in the second ward of Homestead. A study made of twenty-one of these courts revealed appalling conditions. Among the 239 families living there, the 102 who took lodgers had on an average four persons to a room. Fifty-one of these families—more than one-fifth—lived in one room. The two-room tenements were not infrequently occupied by a man, his wife, two children, and two or three boarders. Under these conditions any genuine family life becomes impossible.

The death rate among the children is high, twice as high as in the other wards of Homestead. Moreover, training children under these conditions is difficult, and a terrible knowledge of evil results from the close mingling of the children with this group of careless, drinking men.

Aside from the presence of these single men and a growth of population with which the number of houses has not kept pace, the overcrowding is due to the dominant ambition of the Slav to own a bit of property here or in the old country, or to have a bank account. As we have seen, strenuous economies are necessary if their desires are to be attained. That it is ambition rather than a permanently low standard which is responsible for the bad conditions is shown by the comfort and even good taste displayed by some who have succeeded in buying their own homes.

These people do need, however, to have impressed upon their minds the value of education. There is no effective school enumeration, the responsibility is divided between the public and parochial schools, and it is easy enough, where the parents are indifferent, for the children to drift away from regular attendance. As the steel

mill with its heavy work and enormous machinery cannot utilize the work of children, there is almost no child labor problem in Homestead; but usually as soon as the children are fourteen they start in to work.

Between ignorance and ambition these newcomers are failing to secure for themselves or their children a real home life that will result either in the physical or moral efficiency of the next generation. The mill, which demands strong, cheap labor, concerns itself but little whether that labor is provided with living conditions that will maintain its efficiency or secure the efficiency of the next generation. The housing situation is in the hands of men actuated only by a desire for the largest possible profit. The more intelligent members of the community, on the other hand, though realizing the situation, do not take their responsibility for the aliens in their midst with sufficient seriousness to limit the power of these landlords. The Slavs, moreover, people used to the limitations of country life, are ignorant of the evil physical and moral effect of transferring the small rooms, the overcrowding, the insufficient sanitary provisions which may be endurable in country life with all outdoors about them, to these crowded courts under the shadow of the mill.

Summing up the results of indifference on one side and ignorance on the other, we find a high infant death rate, a knowledge of evil among little children, intolerable sanitary conditions, a low standard of living, a failure of the community to assimilate this new race in its midst.

As we waited in one of the little railroad stations in Homestead, a Slovak came in and sat down next to a woman and her two-year-old child. He began making shy advances to the baby, and coaxing her in a voice of heart-breaking loneliness. But she would not come to

him, and finally the two left the room. As they went he turned to the rest of the company, and in a tone of sadness, taking us all into his confidence said simply, "Me wife, me babe Hungar." But were they here it would mean death for one baby in three; it would mean hard work in a dirty, unsanitary house for the wife; it would mean sickness and much evil. With them away, it means for him isolation and loneliness and the abnormal life of the crowded lodging house.

While this low wage, either among Slavs or Americans, is insufficient to maintain a standard of physical efficiency, the industry adds further that element of uncertainty for the future so destructive to ambitions and plans. Accidents are frequent. Even though they are not often fatal, one that lays a man up even for two weeks has a disastrous effect on a slender surplus. One family had saved \$300 to buy a house, but when the man was injured by a weight falling on his feet, and was laid up for six weeks, \$80 went from the surplus. Soon after, last winter's hard times came, and practically all the savings had to go for food. Now the wife wonders whether, with all these possibilities of disaster, she will ever dare to put all her savings into a house.

In addition, cuts in wages are made periodically. As these most frequently affect the better paid men, even they cannot start out on any plan involving a number of years without realizing that before the end of the time conditions may have changed so as to make its carrying out impossible.

By the twelve-hour shift as well as by the low wage the mill is affecting the lives of these families. Though the long hours and hard work may seem to be hardships that only the man would feel, they do react on family life. Not only do his weariness and his irregular hours make

him less inclined to enter into the family pleasures, but he also fails to change—through political or other action—the conditions under which they live. Because of this weariness-induced apathy, a man usually stays at home and smokes his pipe instead of troubling himself with outside affairs. This tendency is doubtless intensified by conditions within the industry. As since the strike of 1892 there have been no labor organizations in the town, the men do not meet to discuss the conditions under which they work, and accept passively whatever is offered. This same indifference seems to affect their attitude toward politics, so that instead of taking an active part they allow the wholesale liquor interests to dominate. Yet, through schools and through sanitation, the political situation does bear a close relation to family problems. In Homestead, for instance, the drinking water comes, only partly filtered, from a river which has already received the sewage of a number of towns and cities. The man continues to go three times a day for water from a neighbor's well, and pay him fifty cents a month for the privilege, instead of insisting that the borough provide a decent supply. There are no ordinances requiring landlords to put water or toilets in the houses, though the family are longing for the day when they can move to a house with these conveniences. An industrial situation which creates an attitude so passive that men accept without protest perfectly remediable evils that immediately affect the family is a serious one.

These long hours have a further harm in their tendency to lessen the demand for amusement. Aside from roller skating rinks and the five-cent variety shows known as nickleodeons, there is, outside of the home, no real chance for amusement save the ever-present light and refreshment offered by the fifty or more saloons which

Homestead licenses. The mothers, who realize that the rinks are a source of danger to the girls, and the saloons a menace to family happiness, make a heroic and often pathetic effort to keep the home attractive enough to offset these temptations. While the results are perhaps not undesirable when the mother succeeds, every woman is not a genius, and when she fails there is little wholesome amusement to compensate for her failure. The people do not want this provided for them by philanthropy. When speaking of the Carnegie library, men often said to me, "We didn't want him to build a library for us; we should rather have had higher wages and spent the money for ourselves." Aside from the money,—and the margin for amusements as we have seen is painfully small,—they need the leisure to plan and enjoy. The town offers to its inhabitants the chance to work, but it gives them little chance to play. And yet play is essential if even physical efficiency is to be maintained.

To sum up the situation, then, we find that the mill by the nature of the work offered helps to develop a normal family type, but because of low wages, long hours, and opposition to industrial organization, it has done much to hamper the family in carrying out its ideals.

May I, in conclusion, state briefly what facts as to the relation of family to industrial life were clarified in my own mind by this investigation? In the first place, in a town dominated by one industry the type of family is largely determined by the nature of that industry. Theoretical discussions as to the normal family have little effect, even the ideals of individual families must often be modified to meet this situation. In a cotton-mill town, for example, we are almost sure to find the women at work, while in a steel town it is the man's place to earn and the woman's to spend. This relation, obscured in commercial or large manufacturing centers, stands out

clearly in Homestead with its one industry. In the second place, the industry limits the development of the family life by the effect of long hours and overwork, and the absence of the stimulus which trades unions might supply. These react on the family, not only in the man's personal attitude toward them, but through his failure by political or other united action to improve the conditions under which they live.

The most obvious and fundamental relation of industry and family is the economic one. Without the background of a sufficient wage, even such a distinctly domestic virtue as thrift becomes not only impossible but harmful. If to buy a house means to underfeed the children, if to have a bank account means to take lodgers till there is no possibility of home life, we are certainly foolish to laud the man who realizes these ambitions, and class as extravagant and thriftless those who do not. Our preaching must have a closer relation to the economic situation of the families.

In years gone by the family was the industrial unit, the work was done in the house, was close to the problem of the home, and the two developed together. The family ties were strong and the industrial conditions strengthened them. Now the situation is changed, and the industry is dominant. More and more the very nature of the family, its ideals, and its everyday existence are alike moulded by the opportunities for work. If we are to keep any abstract ideals of what family life should be, and are to translate these into actualities, our primary query must be whether our industrial system makes them possible. Without the development of the personal virtues economic prosperity might be futile, but the converse is also true. In Homestead at least, I believe, there are more ideals than the industrial situation allows to become realities.

RESULTS OF THE PITTSBURGH SURVEY.

EDWARD T. DEVINE.

The Pittsburgh Survey represents one way of studying family life in an industrial and urban community. The method of personal observation by an individual investigator is obviously inadequate to such an undertaking. Life is too short, prejudices too ineradicable, individual qualifications too specialized, the personal equation too disturbing, to permit any single individual, however gifted, to see for himself the community as a whole, and to measure the influences and forces that shape the family destiny. The writer who boasts that he has known many cities, if by that he means that he has known them intimately by the method of first-hand observation, invites distrust. The Chicago stockyards district alone, or the lower East Side of New York, or the Pittsburgh steel district, affords a problem too complex and difficult for any single-handed observer and reporter of social conditions. Individual inquiry and personal interpretation have brought us a certain distance, but they cannot take us much further. Their limitations have suggested the plan which we have tried in the experiment the results of which you have asked us to lay before you. That plan is, in a word, to organize a staff to survey the community as a whole, a group working under common direction, and rapidly enough so that the results refer to a particular period and to relatively definite conditions which can be clearly described.

Whether in this first experiment we have succeeded, is of course still to be determined, but this was the under-

lying idea of the Pittsburgh Survey. In attempting thus to reckon at once with the many factors of the life of a great industrial community, we may not have been able to go so deeply into most of them as, for example, special inquiries have gone into tuberculosis, child labor, housing, or the standard of living; although on the other hand we may have gone into others, such as the cost of typhoid, the effect of industrial accidents, the status of the steel workers, the boarding-boss system, and the place of women in modern industries, more deeply than has heretofore been attempted. In any case our main purpose has been to offer a structural exhibit of the community as a whole and not to make an exhaustive investigation of any one of its aspects. We have not dealt with the political mechanism, and we have not to any great extent dealt with vice, intemperance, or the institutions by which the community undertakes to control them. We have dealt in the main with the wage-earning population, first in its industrial relations, and second in its social relations to the community as a whole.

There are certain immediate, tangible results in Pittsburgh. An Associated Charities, an increased force of sanitary inspectors, a comprehensive housing census, a typhoid commission, and a permanent civic improvement commission are certainly very tangible and striking results, especially as they are in the nature of by-products to an investigation concerning which very little has as yet been published.

These development, however, interesting and gratifying as they are from the point of view of social progress in the community, are probably not the results of the survey which are in your minds, as you forecast this discussion. I take it that what is of interest to the Economic Association and the Sociological Society is

rather the answer to the question: Have you really found out anything about Pittsburgh that we did not know perfectly well before? What are the results of your survey for students of society and of industry? The discoveries, then, which I have to report, are as follows, taking the adverse results first:

I. An altogether incredible amount of overwork by everybody, reaching its extreme in the twelve-hour shift for seven days in the week in the steel mills and the railway switchyards.

II. Low wages for the great majority of the laborers employed by the mills, not lower than in other large cities, but low compared with the prices—so low as to be inadequate to the maintenance of a normal American standard of living; wages adjusted to the single man in the lodging house, not to the responsible head of a family.

III. Still lower wages for women, who receive, for example, in one of the metal trades, in which the proportion of women is great enough to be menacing, one-half as much as unorganized men in the same shops and one-third as much as the men in the union.

IV. An absentee capitalism, with bad effects strikingly analogous to those of absentee landlordism, of which also Pittsburgh furnishes noteworthy examples.

V. A continuous inflow of immigrants with low standards, attracted by a wage which is high by the standards of southeastern Europe, and which yields a net pecuniary advantage because of abnormally low expenditures for food and shelter, and inadequate provision for the contingencies of sickness, accident, and death.

VI. The destruction of family life, not in any imaginary or mystical sense, but by the demands of the day's work, and by the very demonstrable and material method of typhoid fever and industrial accidents, both prevent-

able, but costing last year in Pittsburgh considerably more than a thousand lives, and irretrievably shattering many homes.

VII. Archaic social institutions such as the aldermanic court, the ward school district, the family garbage disposal, and the unregenerate charitable institution, still surviving after the conditions to which they were adapted have disappeared.

VIII. The contrast—which does not become blurred by familiarity with detail, but on the contrary becomes more vivid as the outlines are filled in—the contrast between the prosperity on the one hand of the most prosperous of all the communities of our western civilization, with its vast natural resources, the generous fostering of government, the human energy, the technical development, the gigantic tonnage of the mines and mills, the enormous capital of which the bank balances afford an indication, and, on the other hand, the neglect of life, of health, of physical vigor, even of the industrial efficiency of the individual. Certainly no community before in America or Europe has ever had such a surplus, and never before has a great community applied what it had so meagerly to the rational purposes of human life. Not by gifts of libraries, galleries, technical schools, and parks, but by the cessation of toil one day in seven and sixteen hours in twenty-four, by the increase of wages, by the sparing of lives, by the prevention of accidents, and by raising the standards of domestic life, should the surplus come back to the people of the community in which it is created.

As we turn the typewritten pages of these reports, and as we get behind them to the cards of original memoranda on which they are based, and as we get behind them again to the deepest and most clearly defined impressions made in the year and a half on the minds of the members

of the investigating staff, it is the first and the last of these results that we see more clearly than any others—the twelve-hour day, and social neglect. Sunday work and night work are but another expression, as it were, of the same principle of long hours of overwork, of which the typical and persistent expression is the twelve-hour shift. Nothing else explains so much in the industrial and social situation in the Pittsburgh district as the twelve-hour day, which is in fact for half the year the twelve-hour night. Everything else is keyed up to it. Foremen and superintendents, and ultimately directors and financiers, are subject to its law. There are no doubt bankers and teachers and bricklayers in Pittsburgh who work less, but the general law of the region is desperate, unrelenting toil, extending in some large industries to twelve hours for six days one week, and eight days the next. There is no seventh day save as it is stolen from sleep. There are of course occupations, as in the blast furnaces, in which there are long waits between the spurts of brief, intense expenditure of energy, but the total effect of the day is as I have described.

For the effect, as well as for the causes, of the twelve-hour day, and for a more exact statement of its extent, its limitations, and the exceptions, I must refer to the reports. We have attempted to trace the influence of the great contest of 1892, and of the incoming waves of immigration, to indicate the effect of the long day on the length of the working life, on industrial efficiency, on home life, on citizenship. When it has all been done, however, the unadorned fact that in our most highly developed industrial community, where the two greatest individual fortunes in history have been made, and where the foundations of the two most powerful business corporations have been laid, the mass of the workers in the

master industry are driven as large numbers of laborers whether slave or free have scarcely before in human history been driven, is surely an extraordinary fact. I do not mean to suggest that the conditions of employment are less desirable than under a system of slavery. What I mean is merely that the inducement to a constantly increased output and a constant acceleration of pace is greater than has heretofore been devised. By a nice adjustment of piece wages and time wages, so that where the "boss" or "pusher", as he is known in the mills, controls time wages prevail, and where the individual worker controls piece wages prevail; by the resistless operation of organized control at one point, and the effort to recover earnings reduced by skillful cuts of piece wages at another; by the danger of accident, and the lure of pay which seems high by old country standards, the pace is kept, is accelerated, and again maintained. There is one result, and there is no other like it.

All of these results of the survey, relating to overwork, low wages, immigration, destruction of families, archaic institutions, and indifference to adverse living conditions, appear to me worthy of your very careful consideration. They are presented without exaggeration or prejudice in the papers that have been written and in the fuller reports that are to follow. It is possible that yellow journalism would find here some justification. When Mr. Brisbane the other day gloried in the yellowness of his newspaper, chuckled over the unsuccessful attempts at imitation by other journals, compared his color effects with the Almighty's painting of a lurid sunset, and reached his climax by expressing regret that they had not yet been able to make a noise resembling thunder, I confess that, having in mind the unpublished records of the Pittsburgh Survey, I had a momentary pang of regret

that we were not in position to set them free by some such methods as those which Mr. Brisbane so unblushingly defends. The reading of a paper in a scientific society, and the publication of a few special numbers of *Charities* seem inadequate. However, we must accept the limitations along with the great advantages of the media in which it has pleased Providence to permit us to work. I therefore proceed to present certain other facts which I would not wish to classify as either adverse or favorable, and finally to give a brief and very inadequate enumeration of the distinctly favorable indications.

Outside the mills, the wages of ordinary day laborers in the Pittsburgh district are from \$1.50 to \$1.75 for a ten-hour day. The municipality pays more—\$1.75 to \$2 for eight hours. In skilled trades, in seasonal trades and in thoroughly unionized trades, compensation is higher. The level toward which wages tend is \$9 to \$10 for a sixty-hour week. Common laborers in the mines, because of their union, earn from 50 to 90 per cent more by the hour than laborers of a similar grade outside. Motormen and conductors, under their union agreement, earn 25 per cent more per hour than teamsters, although their occupation requires no more time in which to become proficient. In the building trades, which are seasonal and organized, the wages are \$3.40 to \$5.20 for eight hours; and in the metal trades, which are continuous and partly organized, wages are \$2.75 to \$4 a day of nine and ten hours. The destruction of unionism in the steel mills has had effects which are too far-reaching and important for brief summary here, but they are described by Mr. Fitch in the reports of the survey with thoroughness and a wealth of illustrative detail. In general I may say merely that the low wages of unskilled immigrant labor are higher than they were fifteen years ago, but that

the wages of skilled labor formerly organized are lower.

Though it may seem extravagant, I am inclined to claim for the survey the discovery of the Slav as a human being, though I do not overlook the scientific studies of Dr. Steiner or the illuminating articles which we have previously published in *Charities* from Miss Balch on the Slavs in Europe and America. I refer here, however, more especially to Mr. Koukol's study of his compatriots, his analysis of their character, their attitude toward America, and the effect on them of such conditions as those under which they live and work in Pittsburgh and the neighboring mill towns. Over one-half of the workers in the steel mills are Slavs, and in the total immigration Slavs are one of the three largest racial elements which we are now absorbing into our population. An anomalous feature of the whole situation is that our greatest industrial community should thus be dependent on the supply of able-bodied laborers from agricultural communities five thousand miles distant.

On the credit side of the account there are at least the following considerations:

I. The adverse conditions are, after all, conditions which naturally, or at least not infrequently, accompany progress. They are incidents of the production of wealth on a vast scale. They are remediable whenever the community thinks it worth while to remedy them. If the hardships and misery which we find in Pittsburgh were due to poverty of resources, to the unproductivity of toil, then the process of overcoming them might indeed be tedious and discouraging. Since they are due to haste in acquiring wealth, to inequity in distribution, to the inadequacy of the mechanism of municipal government, they can be overcome rapidly if the community so desires.

II. There are many indications that the community is

awakening to these adverse conditions, and that it is even now ready to deal with some of them. I have already cited instances of new movements in this direction, and the detailed reports cite many other favorable signs. The arrest of councilmen and bankers for bribery may for a time necessarily divert attention from the improvement of bad conditions to the prosecution of individual malefactors. But this interruption to fundamental social reform may serve to strengthen the determination of citizens who see what work is to be done, and who see that the city administration is courageously undertaking it, to defer the anticipated reversion to ordinary machine politics and its corrupt alliance with predatory business interests.

III. It is fair to point out as a favorable result of the inquiry that there is an increasing number, including the mayor and other city officials, officers of corporations, business men, social workers, and others, who are entirely ready to enter with others and with one another on the dispassionate search for causes and remedies, recognizing that the adverse conditions are there, recognizing that distinction lies not in ostrich-like refusal to see them, but in statesmanlike willingness to gauge them and to understand them, and, so far as it is possible, to remove them. Pittsburgh is unique only in the extent to which tendencies which are observable everywhere have here actually, because of the high industrial development, and the great industrial activity, had the opportunity to give tangible proofs of their real character and their inevitable goal.

IV. It will be made apparent also when the survey publishes its findings that in the period immediately preceding the undertaking there had been several noteworthy advances in Pittsburgh. A reform mayor had been elected.

Greater Pittsburgh, with Allegheny as the principal accession, had been decreed, and incidentally in this process one of the most conspicuous of our national "fences" for thieves and criminals had been thrown down. Plans had been made for a suitable civic celebration of the one hundred and fiftieth anniversary of the founding of the city. The administration, with the coöperation of smoke manufacturers, had entered upon a death grapple with the smoke nuisance, a big boulevard system had been created, and a five million dollar filtration plant had been installed.

The net result of the survey, so far as it throws light on the inquiry formulated on the program, whether modern industry and city life are unfavorable to the family, is to suggest an affirmative answer. Very unfavorable, very disastrous consequences, are clearly discernible. Whether they are inseparable from industrial life in the city is for the future to determine. Yellow journalism, one very crude but not altogether ineffective method of popular education as to certain of the unfavorable effects of modern industry, we reject as not consistent with our traditions. This may suggest, however, that, as an alternative educational scheme we shall do well to utilize in the class room and in serious discussion such material as is furnished by the Pittsburgh Survey and by other similar inquiries which have been or may be set on foot by government or by voluntary institutions endowed for the purpose. Assuming accuracy in the field and suitable editorial revision, it is within bounds to say that we shall soon know more about Pittsburgh than we have known about any other of our American industrial communities. That in itself is something, but our chief interest in that result will lie in the stimulus which happily it may give to the desire and the determination to learn as much or more by similar or by better methods about other communities.

ARE MODERN INDUSTRY AND CITY LIFE UNFAVORABLE TO THE FAMILY?

CHARLES R. HENDERSON.

The essence of the question under discussion is *not*: Is life in an industrial city more unfavorable to the family than it formerly was? nor, Is life in an industrial city more unfavorable to sound family life than country residence? but rather, What are the facts about urban conditions which have a harmful tendency, and are these conditions necessarily inherent in urban organization of industry, or are they capable of improvement by known means? If not by known means, then at what points should we direct and concentrate our investigations?

It is not necessary here to reiterate the proof that the cities are gaining rapidly in all parts of the civilized world, nor to explain the movement cityward. This is already familiar to all. If any tendency is part of destiny and fate, this seems to be such. Even when people are perfectly aware of the effect of urban ways on longevity, they seem to prefer the brief and merry, or at least exciting, career in cities to a cycle of far and drowsy Cathay.

"Modern industry" is almost equivalent to "city life", because the great industry, the factory system, builds cities around the chimneys of steam engines and electric plants. Cheap production of commodities by machinery requires some degree of proximity of operations. Our systems of transportation and trade work in the same direction. We may, then, ignoring exceptional conditions, discuss directly the effects of urban residence on family life, and treat the mill, shop, and factory as special aspects of city life.

The dwelling, the street, the places of work and recreation are the outward and physical factors which directly affect the fortunes of urban workmen and their families. The habits and conduct of the people under these outward conditions are also causal factors, and all the influences react upon each other and reverberate in countless ways.

I. What are the facts in relation to the *physical well-being* of the family in cities? The social function of the normal family is to maintain the life of the community at its best by producing, rearing, and educating sound and vigorous offspring. The statisticians have assembled for us the evidences of relatively high morbidity and mortality in cities, and it is not necessary to reproduce the tables; the general results are sufficient for our present purpose.¹

Density of population is characteristic of cities and produces conditions which increase morbidity and mortality. The death rate in cities is generally, though not always, higher than in the surrounding country. This is true of every state in the Union. The death rate is usually greater in the ratio of the size of the city, although the improvements in modern sanitary methods are telling with better effect on cities than on rural communities, owing to the more prompt and well administered application of science under municipal government.

The death rate of infants has hitherto been especially marked in cities owing to the defective supply of milk, and probably to the neglect of infants by mothers who

¹ Mayo-Smith, *Statistics and Sociology*, pp. 128 ff. (deaths); pp. 154 ff. (sickness).

Weber, *Growth of Cities*, Chs. VI, VII.

Westergaard, *Morbidität und Mortalität*.

Bailey, *Modern Social Conditions*, p. 243.

Newsholm's *Vital Statistics*.

These give the primary sources.

work for a living away from home. The exhaustion of girls in factories and mills tends to increase the mortality of these infants after marriage.

The danger from infectious diseases is increased in crowded tenements. Tuberculosis and pneumonia are made more common and fatal by the fact that common halls and corridors carry the germs of these dreaded diseases into every apartment, so that a single patient quickly exposes numerous neighbors. When light and ventilation are defective, these evils rage with all the more intense virulence.

The diseases caused by occupations affect the vigor of the family in various ways,—directly by impairing the general health and poisoning the germ plasm, and indirectly by reducing the food supply and the comforts of clothing and dwelling.

In the absence of adequate and compulsory sickness and invalid insurance, the cessation of income of the stricken husband and father means gradual starvation and the diseases which always prey on bodies imperfectly nourished. The people of the United States have not yet become awake to the misery which assails the domestic life from this cause; and we are behind all other civilized nations in providing insurance. We have, after stubborn resistance of the *laissez-faire* tribe, secured a compulsory poor law and compulsory education. The next logical step is compulsory insurance in its whole range, on grounds of public health.

Injuries and diseases caused by occupation, and also the employment of women and children under unfavorable conditions are factors in the destruction of sound family life; and, as a rule, these evils are more serious in urban than in rural industries.

Exposure to the elements and the rapid increase of

complicated machinery, sometimes driven by steam power, are facts of importance in agricultural occupations, and require more attention and investigation than they have hitherto received; but at worst they do not equal the perils of certain situations in manufactures and transportation.

The dwelling has been the center of anxious interest in cities for a long time. The sweated industries, carried on in the same rooms where the family lives, are more difficult to control than the factory industries, and they are a perpetual menace to health. After the great work of De Forest and Veiller on the *Tenement House Problem*, little remains to be said in this connection; although local investigation must be made to arouse the conscience of the people and authorities of any particular community. We also need a volume, based on scientific study, of the perils to health in country residences. It is amazing how little impression an investigation in Pittsburgh or New York makes in St. Louis or Chicago; it is so easy to parry a stroke by pleading a difference of situation.

The places of recreation and culture in cities are often crowded and almost always perilous to health, and hence to the family. Theatres, dance halls, saloons, and even churches are not rarely means of infection.

How far are these evils due necessarily to industry and to urban life? And how far are they preventable, avoidable by known measures? Preventive medicine and public hygiene have already done more for cities than for the country, and we seem to be at the beginning of a powerful and concerted movement to combat all these evils.²

II. Are the conditions of city life favorable or unfavorable to fecundity? The answer must be guarded, and

²See Dr. G. M. Kober's paper on industrial diseases in Bulletin 75, Bureau of Labor, 1908.

must take account of the elements of population, occupations, presence of immigrants, age groups, demands of fashionable society, etc.³

"In Germany the birth-rate for the entire country is from 4 to 6 per cent higher than for cities of 50,000 and over."⁴ In Hungary this is true. In Massachusetts the birth-rate was higher in towns. In Sweden the birth-rate of cities has gained upon and passed the rural birth-rate. The birth-rates of large cities, as London and Paris, are slowly falling. The social position of the family has a decisive influence, the births being in inverse ratio to income. "The most obvious explanation of a high birth-rate would be a large proportion of women in the child-bearing period. The cities have a larger percentage of such persons, hence for this reason, and not because of greater fecundity of city women, do the cities often have a high birth-rate."⁵ The cost of living is greater in cities than in the country, and the necessities of life must be paid for in cash. Income is more uncertain. Multitudes of unskilled workingmen are liable to discharge on an hour's notice; and this is true of clerks and salesmen. This uncertainty of income is an important factor in relation to the production of offspring.

Furthermore the city child is not so early a producer as the child on the farm, whether boy or girl. Very early a rural child can be a real aid in kitchen or field. This can be modified by earlier trade training from sixth grade up, as is now provided in Chicago by some half-day schools and shops. The attractions of pleasure and comfort make a stronger appeal to the urban dweller than to the farmer. The difficulty of securing quiet and retirement during pregnancy in a tenement house or expensive

³ Bailey, *Modern Social Conditions*, p. 108.

⁴ *Idem.*

⁵ Weber, p. 331.

apartment residence is a factor of no slight significance, especially when sentiment among women makes maternity ridiculous.

III. Communistic habits tend to create and sustain communistic beliefs and sentiments; and these are distinctively unfavorable to the principles upon which the monogamic family is based. Paul Göhre describes his experience in a German industrial community, where men work all day in a common shop, eat their luncheon in crowds, seek their entertainment in throngs, travel in a mob, and, before marriage, satisfy their sexual appetites in a common brothel. The same phenomena may be observed in any large industrial town. If the type of family we have known and which is maintained in the country is desirable, then these forces must be regarded as disintegrating and perilous. Are the evils of such communistic living avoidable? Are there socializing influences mixed up with the dangerous tendencies which may well be fostered?

IV. Certainly there are advantages in urban life which must favorably affect the domestic institution. There are wider and more rapid means of communication and of receiving impressions; although the rural telephone and trolley are making marvelous changes outside the cities. There are more mental stimuli in the thronged street than in the sleepy lanes, and along the quiet waters of pastures and meadows. It is possible that the urban socialization of industries gives to the city woman the advantages of slavery without its cruelty, and thus creates a wider margin of leisure,—the first condition of higher culture. Certainly, as all admit, our largest leisure class is made up of women from whom wealth and modern mechanical devices have taken away numerous household cares and labors.

V. Divorce is an effect of urban conditions and beliefs; it is an effect of evil and sometimes the milder evil selected out of many worse miseries. In the United States in about 95 per cent of the cases the rate is higher in the counties in which large cities are situated than in the counties where the population is principally rural;⁶ and this in spite of the fact that Catholics gather in cities.

Only of recent years has the prevalence of venereal diseases, and especially gonorrhea, been carefully studied. Even yet the public is not fully aware of the domestic misery caused by these diseases contracted by extra-marital intercourse by men and communicated to innocent wives and children. The records of divorce courts rarely mention the real ground on which good women apply for divorce, and the federal statistics, therefore, must be studied in the light of investigations on which judicial records throw little light. Now the social evil is distinctly an urban evil, and so far as it leads to divorce must be charged in great part to the conditions of urban life. The same is true of the use of narcotic poisons and alcohol, to which so much domestic ruin can be traced. It is not creditable to many of the scientific men of America that they have underestimated the importance of this factor, and some of them have so written that their sentences are used in advertisements of brewers and distillers to blind the eyes of the uneducated.

VI. Some writers have emphasized the value of city life as an agency of social selection; the strong and capable are given a career while the feeble in vitality and character go to ruin and are weeded out. But this kind of social selection is too costly; its lightning strokes kill many of

⁶ Bailey, *op cit.*, p. 206.

the finest human beings along with the neglected; and not seldom the nursery of deadly germs, physical and moral, is in the homes and streets of the so-called unfit. Those who fall into the doom clutch at the fair and competent and drag them to ruin along with themselves. The incompetent must be either educated to fill a useful place and feel strong for productive labor, or sent under guard to die at peace in celibate colonies. That is the only social selection which is worthy of the name of rational; all the rest is wasteful accident, trusting to chance which plays with loaded dice.

None of the urban plagues which have been mentioned are in the realm of destiny or blind nature; all are products of human choices and conduct; and by human energy, guided by science, they can be gradually diminished or removed; but none will disappear without effort. The form of the topic limits our discussion to description of present facts, and, rigidly interpreted, would not permit us to consider how far these actual evils are remedial nor by what means. Of course the greatest and only final human interest lies in the methods of amelioration provided by the science of sanitation, public hygiene, and of education. But the detection and description of the adverse factors implies the possession of a standard and the consciousness of the wrong as wrong. This is in itself an important step on the way to betterment.

In "Uncle Tom's Cabin" Mrs. Stowe put into the mouth of her Yankee woman visiting the South the descriptive words, "Oh heow shiftless!" Now comes Dr. Stiles and tells us that "anaemia, malnutrition, marked indisposition for sustained exertion, and resultant social condition, usually described as 'shiftlessness', which has characterized large numbers of the poorer class of rural

whites in the South, are due to a widespread infection with the *Uncinaria Americana*, or hookworm."⁷

It would be a rational ground for hilarity, to make even a Quaker or a Puritan laugh, if some of the worst demons of economic vice could be expelled from the system with a good dose of vermifuge. Who shall set a bound to science?

A multitude of people will, for good reasons, choose rural homes; another multitude will select urban homes; both may be aided to live a rational life with wholesome surroundings; both can, up to the measure of their capacity, live a complete human life; and already men in institutions of learning, on farms, in cities, and in administrative positions are seeking the ways to the best possible life for farmers and residents of cities.

The literary and scientific man is tempted to regard the farmer as lacking in intellectual quality, because the latter has not expressed his ideas in melodious phrases or buried them in laboratory memoirs. If we look closely we can discover that farmers have really a vast fund of valuable knowledge,—knowledge of vegetables, animals, wounds, diseases, remedies, technical processes, government, law, markets, prices, transportation. The farmer is an experimenter. All he learns he expresses, not in literary form, in articles and books, but in improved land, in selecting according to biological principles the best seeds and the best stock for breeding, in adapting his methods to climate and soil, in building up schools, churches, and rearing healthy children.

We need not be too industrious in making out differences between rural and urban populations. The differences in homes, habits, and satisfactions on which comic cartoonists and some social philosophers lay emphasis,

⁷ Dr. H. B. Young, *N. Y. Medical Journal*, November 28, 1908, p. 1027.

either do not exist, except in imagination, or are merely superficial. The broad hat, rough boots, wild beard, and exposed suspenders of the caricatured "hayseed" have little meaning in respect to the essentials of human character. The city dweller judges by what he sees, and he does not see much of the real farmer. Many of the railroad kings, whom our British Ambassador praises as the ablest men of our nation, are the children of "clod-hoppers" and may retain a little of the ancestral trick of getting over rough ground by a straight path to their destination. We need to be on our guard against hasty, unfair, and misleading generalizations, and prejudices of our Brahmin caste.

Many of our rich men, under expert medical advice, are living a rural life several months of each year for physical and mental health. They are wise who return periodically to the conditions of life which have thus far helped to maintain the vitality of our nation at the highest point. The aristocracy of England, and their imitators, are ambitious to own and occupy country seats. This will lengthen the life of this group,—not always with eugenic consequences. But what of the poor in our cities, whose crowded rooms are pestilential in winter and purgatorial in summer? Is the best we can do for these to send them to the country for a week, or give dying babes a charity ride on a floating hospital? Is even the small park and playground, the miniature reminders of real country, the horizon of our vision? We have already adopted in our building ordinances a minimum standard of cubic atmosphere and square feet of window space for the entrance of actinic rays; but as yet we have not come in sight of a standard of outdoor space for man, woman, and child. We are merely making unscientific guesses and leaving the real control of sky and grass room to individualism

and commercial motives,—that is, to the besotted and the blind. In many cases suburban manufacturing villages, built to escape the rule of trade unions, soon develop unsanitary conditions of smoke, dust, unwholesome housing, bad drainage, and water supply, without securing any of the advantages of rural surroundings.

A more comprehensive system of social control is required in order to promote social selection economically and effectively. What direction must this control take? I offer here some suggestions prepared for another audience:

1. It has been proposed that we try to educate the prosperous and healthy to produce more children. In the first report of the Committee on Eugenics of the American Breeders Association, it was urged: "It is a pressing problem to know what to do to increase the birth-rate of the superior stocks and keep proportionate at least the contribution of the inferior stocks. One of the most promising influences is the eugenic movement started in England by Galton and Pearson to make proper procreation a part of religion and ethics, rather than a matter of whim only. . . . Our appeal should . . . be directed to men of average ability to have families which will bring at least two children to maturity and parenthood and especially to men of superior ability to have larger families." With this conclusion and with this appeal there can be no reasonable ground for controversy. Unquestionably something can be gained by persuading people to consider procreation from the point of view of racial interest and patriotism. The Roman Catholic Church has certainly succeeded in Canada and the United States in urging its members to outpopulate the Protestants; whether always with eugenic results must be a matter for further investigation. At any rate the universal and per-

sistent teaching and counsel in the confessional secures results: general freedom from divorce and from childless marriages. If this mighty religious influence could be made scientific and eugenic—and why not?—it would be an immense help toward improving our American stock.

But there is a limit to the willingness and the duty of persons of ability and health. If they should really try to run a race with the thriftless, the reckless, the dwarfs, the neurotic, the vicious, the criminal, the insane, the feeble-minded, what would be the outlook? Can we seriously urge this policy without further measures? The effect might be too costly, might even lead to the exhaustion and degeneration of a large number of conscientious and morally earnest mothers. Society has no right to ask of such persons unreasonable sacrifices in a hopeless competition with the unrestrained appetites of the unfit and undesirable.

2. There is a way by which society can secure a better stock in one or two generations, and that by the use of legal powers which it already exercises without raising any ethical or constitutional questions. It is not necessary to reproduce in a brief report the mass of facts collected and presented with almost passionate earnestness by Dr. Rentoul.⁸ We have at hand the celibate colonies of insane, feeble-minded, and epileptics. The policy of segregation nowhere raises doubt or general opposition. It is clearly and distinctly the right of a commonwealth, when called upon to support a large number of the obviously unfit, to deprive them of liberty and so prevent their propagation of defects and thus the perpetuation of their misery in their offspring. But the policy of segregation has one disadvantage, which Dr. Rentoul has made prom-

⁸ Race Culture or Race Suicide.

inent: the insane are discharged when "cured", and yet become parents of degenerates; and the feeble-minded and epileptic cannot always be guarded so as to prevent propagation. Therefore the policy of painless asexualization is offered and has found a place in the laws of Indiana.

3. But no social policy of segregation or of asexualization can be complete or adequate without vigorous and comprehensive measures for arresting the forces which tend to poison the germ, the very source of life and inheritance. The aim of eugenics is not limited to selection of parents; it includes all the measures which promise to improve the quality of the parents or to prevent their degradation. It is slow and uncertain work to persuade the capable to attempt to outpopulate the defective and abnormal; society in self-defense must seek to diminish the causes of degeneration. Several able writers on eugenics have declared that we cannot look to improvement of conditions for improvement of the human race. Granting that better food and housing will not enable tuberculous and paralytic parents to produce healthy offspring, it remains true that improved wages, nutrition, and and wholesome conditions would prevent the beginning new series of degraded and exhausted persons. (*The ruin of the germ cells*⁹—*Blastophthoric—Kcimverderbnis*).

It seems to be established, and admitted by Weissman, that the germ cells in their most intimate structure can be so affected by poisons, and even by malnutrition, as to transmit certain evil effects to the offspring. Therefore it is not necessary to enter upon a discussion of the controverted topic of the inheritance of acquired characters. The sperm cells or the ovum or both may be so damaged

⁹ Aug. Forel, *Die sexuelle Frage*, p. 33.

in the parent or parents that the offspring will show the consequences.

Forel writes: "By Blastophthorie (Keimverderbnis) I understand . . . the effects of all directly abnormal and disturbing influences which affect the protoplasm of the germ cells, whose inherited determinates in this way are injuriously altered. Blastophthorie works in this way on germs not yet united, and in that way effects a beginning of what one calls inherited degeneration, of whatever kind it may be." . . . These evil results then pass on from this beginning to subsequent generations. Among the poisons which have the power to damage the germ cells, Forel mentions especially alcohol. Idiots, insane, epileptics, dwarfs, psychopathic persons are the issue of alcoholized parents, parents who may have been vigorous and sound in every particular.

This brings into consideration the facts relating to other poisons; as the toxic results of tuberculosis and other diseases, of lead poisoning, phosphorus poisoning, and nicotine in strong doses. The so-called industrial or professional diseases gain a new interest in this connection.

The contest with venereal diseases, both gonorrhea and syphilis, becomes significant for eugenics. It is well known that syphilis acquired by a parent sometimes destroys or cripples the offspring. Gonorrhea is a common cause of blindness; the inherited effects upon the constitution of the children require serious investigation; of its destructive power in the mother no room is left for doubt.

Dr. E. Kraepelin says:¹⁰ "We know some of the important and widespread causes of insanity, the combating of which lies not only within the realm of the duties, but

¹⁰ *Die psychiatrischen Aufgaben des Staates*, p. 2.

also of the powers, of the state. The first of these is the abuse of alcohol. . . . About one-third of the surviving children of dipsomaniac parents will become epileptics. According to Bourneville more than one-half of the idiotic children proved to have alcoholic parents." Dr. Kraepelin, with many others, emphasizes the frequent connection between some slight intoxication and the occasion of venereal diseases, with all their sad retinue of suffering, especially to women.

Some educational advantages may be gained by laws requiring a medical certificate of health from a public physician as a condition of receiving a license to marry. This measure would cause many a young man to reflect before he brought upon himself a loathsome and highly infectious disease. But such a law would have little influence on unscrupulous persons who satisfy their appetites without regard to marriage laws; they must be reached by other means.

Competition with the inferior and the unfit is one of the influences which cause thoughtful and provident persons to limit their offspring. This was the conclusion of one of our greatest economists, Francis A. Walker: "Whatever were the causes which checked the growth of the native population, they were neither physiological nor climatic. They were mainly social and economic; and chief among them was the access of vast hordes of foreign immigrants, bringing with them a standard of living at which our own people revolted."¹¹ Now the excessive increase of any undesirable class will "give a shock to the principle of population" among persons of higher standards of life. Thousands of persons of the Society of Friends and others who would not or could not own slaves emigrated from the South before

¹¹ *Discussions in Economics and Statistics*, II, 426.

the Civil War to escape competition with slave labor and from the sense of social inferiority which went with manual labor. But now there is no way of escape; therefore the families of superior ability and higher standards grow smaller. To encourage persons of normal life and civilized standards to have more children some better guarantees must be given than by government that these children will not be driven to the wall by immigrants of a lower order. This is not an argument against immigration, but only against the immigration of persons who can never be induced to demand a civilized scale of life. A great deal is justly said of a "simple life"; but that should not mean a return to savage life.

RURAL LIFE AND THE FAMILY.

KENYON L. BUTTERFIELD.

This paper does not pretend to be a scientific statement of all of the reactions which environing conditions may bring to bear upon the family living in the open country. So far as I am aware, this whole matter has not been worked out by anyone with any degree of fulness. I wish that some of our sociologists would take up seriously the study of the effect of typical rural life, not only upon the rural family, but upon the rural individual, and determine the relationships between the rural environment and the rural mind. I am here merely setting down some observations which are the result of considerable association with the rural people in different parts of the country, and of some attempts to study the structure and influence of various rural social institutions.

Isolation is the chief social characteristic of rural life. But, so far as isolation is a physical fact, rather than a state of mind, the word must be used in a wholly relative sense. Isolation of country life varies all the way from the occasional hamlets and villages of the closely populated irrigation districts to the genuine loneliness of the almost boundless stock ranges, with all graduations between. It is, however, the one great fact that stands out in any comparison between the social environment of a family living on the land and a family living in the town or city.

This isolation is a separateness of the farming class from other classes. Consequently, a family belonging to this separated class must be influenced by the charac-

teristics and the standards common to the class as a whole. It is also an isolation of families. A very small proportion of our American farm families live in hamlets or villages. The families of the farm are scattered; few farm houses are closely adjacent, at least from the point of view of the city man.

Of course, it is to be observed that physical contact in the city means nothing, from the family point of view. Contiguity does not necessarily breed acquaintanceship. Probably the mere fact of farm houses being twenty rods apart, or half a mile apart, is not so significant as the fact that separateness of the farming class and scattered farm homes produce a lack of social friction between individuals, between families, and between classes, that has a significant bearing on all those concerned.

What, now, are the chief influences of this isolated mode of living upon the life and characteristics of the family, considered as a unit? I list them as follows:

1. Family life of the country is tied to the industry of the country. This unquestionably makes for interest in the work of the farm. Of course it may also result in hatred of farm work. It makes drudgery easy. It makes it difficult to get away from one's work. But this much is true, nevertheless, that the farm family may be considered an industrial, as well as a social, unit, whether the influences of this condition are good or bad, or both. It probably has both good and bad effects; but, on the social side, it certainly has a significant result which may become our second point.

2. There is a coöperative unity in the farm family that is rather striking. The whole family is engaged in work that is of common interest. The whole family often "turns to" when a task is to be carried out. When the holiday comes, the whole family takes part in it. Com-

pared with the average city family, individual interests are subordinated. Each member of the family knows what is going on. Each is in touch with the head of the family, in general if not in detail. The mother's work is ever before the eyes of all the members of the family, including the boys and men. This coöperative unity must have a powerful effect upon the life of the family. Perhaps it has a tendency to give that life too much of an industrial character. There may be too much inclination to "talk shop". There may be too little opportunity for the cultivation of the heart life, or the hearth life, of the family; but there is a certain solidarity in the farm family that makes for the permanency of the institution.

3. Speaking particularly now of the youth growing up in the farm family, it can hardly be gainsaid that family life in the open country is remarkably educative. First, by reason of the fact that both the boys and girls, from even tender years, learn to participate in real tasks. They do not merely play at doing things—they *do* them. They achieve real results. They take part in the world's work. Secondly, by association with older heads in this work, by having a share in these real problems, by understanding at an early age the good or evil results that come from definite lines of action, there comes a certain maturity of mind, a certain sureness of touch, when a job is to be done, that must be a powerful means of development,—particularly in an age when the achievement of tasks is the keynote of success.

4. I believe that, on the whole, the moral standards of the farm family, as a family, are kept on a very high plane,—partly by the fact of farm interests already alluded to, and partly by the openness of life prevalent in country districts. There are in the country few hiding places for vice, and vice usually has enough modesty not

to wish to stalk abroad. I do not mean to say that the moral influences of the country are only good; but I do say that, so far as the purity of the family as an institution is concerned, the country mode of living is conducive to a very high standard.

Thus far I have named those reactions of the environments upon the rural family which seem to be, on the whole, favorable. There is something to say on the other side.

1. Probably, on the whole, mediocre standards are encouraged. If you are brought up in the Ghetto of New York, and manage to get money enough together, you can move up on Fifth Avenue, if you want to. The average farmer doesn't move, unless he moves to town, or to a new region. If low standards prevail in the community, a particular family is likely to find itself influenced by these lower standards. There is a tendency to level down, because of the law of moral gravitation, and because it takes a long time to elevate any community standard. The average country communities are illustrating some of the disadvantages, as well as some of the advantages, of democracy. In some farm communities the presence of hired laborers in the family circle has been distinctly deleterious to good social customs, if nothing else. In the country there is a tendency toward a general neighborhood life on the social side. There is a probability that aspiration, for either personal or community ideals, will get a set away from the farm, with the result that these ideals are likely to lapse in the country.

2. A great deal of farm life is of such a character that it makes it very hard for the mother of the family. Perhaps the effects of isolation are more abiding in her case than in that of any other member of the family. This is not to give currency to the popular, but I think erroneous,

notion that there is a larger proportion of insanity among farm women than among other classes; but it cannot be denied that the type of work in the farm home in many communities, and the few social opportunities, are likely to give a narrowness that must have its result on the general life of the family.

3. The health of the average individual of the country is all that could be desired, at least during the earlier years; but it is not unfair to say that the sanitary conditions, from the public point of view, are not good in the average open country. This must have considerable effect in the long run upon the health of the family, and must have a bearing upon the development of family life.

4. There is on the whole a serious lack of recreative life in the open country, and this fact unquestionably has a strong influence upon the atmosphere of the average farm home. It tends to give a certain hardness and bareness that are not proper soil for the finer fruits of life.

5. The lack of steady income of the farmer's family is a factor that has a great deal to do with the attitude of the members of the family toward life, toward expenditures, toward culture wants, and toward those classes of people that have salaries or other steady income.

It should be noted that country life develops certain traits in the individual, which, without any special regard to the question of family life, must nevertheless influence the general spirit of the family. I refer particularly to the intense individualism of the country, and the lack of the coöperative spirit. There is neighborliness in the country; there is intense democracy; there is a high sense of individual responsibility; there is initiative; but this overdevelopment of the individual results in anaemic social life, which in turn reacts powerfully upon the general life of the family.

To my mind, the advantages of the country in respect to family life far outweigh its disadvantages. This statement must of course be understood to have in mind the great mass of farm families, as compared with the great mass of urban families of somewhat similar industrial and social standards. I make no defense of many woe-begone rural communities that can be found in all sections of the country. But I do believe that on the whole the family life of the open country, whether judged with respect to its intrinsic worth, its effect on the growing children, its permanency as a social institution, or its usefulness as a factor in our national civilization, is worthy of high praise.

MODERN INDUSTRY AND FAMILY LIFE— DISCUSSION

PAUL U. KELLOGG: There are four points which I should like to make. In such a discussion I am under no special obligation to relate them to each other.

In his annual address President Patten made a plea for the pushing out of the economist and his works into practical affairs. Three years ago in a talk which he gave to a group of visitors of a charitable society, he told them that dealing as they were with lop-sided families, families which had something ailing them, they were bound to get lop-sided views of life. They should study, for every family they dealt with on a philanthropic basis, one normal family. This preachment strikes me as indicating a line of joint activity for the economist and the social worker, where the broad view of the one and the methods of the other could be brought together. The case records of charitable societies have long been storehouses of valuable social information. They have been analyzed on the basis of the causes which throw these families into positions of dependence.

In the Pittsburgh Survey we have applied these methods of investigation and record-taking to normal families, which may not have been thrown into dependence but had been thrown into economic distress and lessened efficiency by disease or accident. We have taken as our units for study not the cases applying for charitable relief, but those falling within certain geographical areas or periods of time. Comparing cities of corresponding size for the past five years, Pittsburgh has ranked first and highest in

both typhoid fever and industrial casualties. These two are the prime expression on the one hand of civic neglect, and on the other of industrial hazard and ruthlessness. Our purpose was to measure the social effects on the people themselves. Here we had units more compelling than death statistics, or the charges upon the public treasury which must be met by taxation.

This was illustrated in the economic study of typhoid fever by Mr. Frank E. Wing, Associate Director, who collected data for six wards for a year, showing the proportion of wage earners among typhoid patients, the incomes before and since, the number of weeks sick, the loss in wages by patients and by those who were obliged to give up work to care for them, sickness expenditure for doctors, nurses, medicines, foods, funerals, and the less tangible but even more severe tax involved in lessened vitality, lessened earning power, and broken up homes, which follow in the wake of typhoid. Of 1029 cases in six wards reported in one year, 448 cases were found and studied. Of these twenty-six died. One hundred and eighty-seven wage earners lost 1901 weeks' work. Other wage earners, not patients, lost 322 weeks—a total loss in wages of \$28,899. The cost of 90 patients treated in hospitals at public or private expense was \$4165; of 338 patients cared for at home, \$21,000 in doctors' bills, nurses, ice, foods, medicines; of twenty-six funerals, \$3186. A total cost of \$58,262 in less than half the cases in six wards in one year—wards in which both income and sickness expense were at a minimum. But there were other even more serious drains. A girl of twenty-two, who worked on stogies, was left in a very nervous condition, not as strong as before, and consequently could not attain her former speed. A blacksmith will probably never work at his trade with his former strength. A

sixteen-year old girl developed tuberculosis and was left in a weakened physical condition. A tailor cannot work as long hours as before and was reduced \$1 a week in wages. A boy of eight was very nervous, would not sit still in school, and was rapidly becoming a truant.

Similarly in the case of industrial accidents. At this morning's session Miss Eastman has told you of the incidence of the economic loss due to the 500 industrial deaths in Allegheny county in the course of the year studied, where half of those killed were under thirty years of age, where half were getting less than \$15 per week, where half had families to support, and where, of these latter cases, less than half received any contribution whatever from the employer toward the income loss.

Dr. Patten has told us that the greatest need of the generation is the socialization of law. Here we were putting court decisions and the master and servant law to a pragmatic test, apart from any legal theories of liberty of contract and assumption of risk. How does the common law work out in practice? How does it "cash in" when it comes to the common welfare?

Similar card systems have since been made use of in Wisconsin and Illinois in investigating industrial accidents.

My first point is, then, that the family affords a responsive, delicate litmus for testing many of the economic facts of the present day social order. Its usefulness as such is only as yet partly explored. The serious studies recently made of standards of living—not of dependent families, nor even of normal families under emergent stress, but just the everyday economic issues of life—are perhaps the purest examples of such scientific treatment. Such studies as Mr. Chapin has made illustrate the large body of social fact available from such sources.

My second point is that we are dealing in Pittsburgh with overloaded families. In agricultural and domestic industry great numbers of household operations were performed as by-products by the male workers. Thus the water supply for a man's kine and for his household were identical. Not only is this changed with the division of labor, but the household must be maintained amid city conditions where the single family unit cannot master many wants, and in industrial towns badly located for any purpose other than production. My point is illustrated by a dispute between the superintendent of the Pittsburgh Bureau of Health and the controller of the city, since deceased, a bluff, honest, old-fashioned saver of city funds. The superintendent of the Bureau of Health wanted a rubbish removal system; the controller held that rubbish removal was a householder's private duty. "It is as if", said Dr. Edwards, "every householder in Pittsburgh used his ashes to build his front walks, lit his morning fires with his old newspapers, and fed his swill to the pigs." Dumping places are few and remote in Pittsburgh, and the results have been that every alley, gutter, and corner has festered with refuse; and the problem of keeping the city clean and well has been a hundred-fold increased. Long, scientific, medical names on a death certificate, translated in common parlance, were nothing more than a filthy tin can plus a house fly.

Similarly, we find Pittsburgh for ten years (until 1908) knowing its typhoid problem was a water problem, yet depending for immunity upon bottled water at fifteen cents per bottle; and we find 20,000 old individual privy vaults in the city proper. Time does not admit of the expansion of this idea, from these homely illustrations to some of the more debatable undertakings of the family analyzed yesterday by Mrs. Gilman. Miss Butler's stud-

ies of women in industry, for instance, go to show that in Pittsburgh the whole tone of wages in certain women-employing trades is fixed by the assumption that the girl is half supported at home. My point is that the sooner we disencumber the family of many tasks it is not equipped to handle under modern conditions, the quicker it will be in position to perform its real functions.

Homestead is an example, as Miss Byington has described it, of how the whole task of civilization is thrown back upon the home.

Here, on the one hand, is a town which is created by the greatest steel plant in the world; one of the master industries of the country, protected by our national tariff policies as few industries are protected, and studied at the close of one of the greatest periods of prosperity the country has known. What has that prosperity meant to the workers? Here, on the other hand, we have a town where time is measured since the strike when associated effort among men was crushed out, and where, as a natural sequence, there has been no organization of civic life to meet the community's problems. The mill, and the town because of the mill, have thrown the burden on the family life of the place. And in many things above the average, we find Homestead a town with gulched streets like a mining district, and high death rates, with—until a year ago—unguarded railroad crossings, with rank water, and no clean public recreation. It is a town where a majority of the workers are left no leisure by the mill to bear their share of the family responsibilities, and where, stated roughly, the families of fifty per cent of the workers must choose between eating insufficient food or living in un-American homes, between giving children a normal life or owning a home.

It is a town which sums up the overloading of family life. Eliminating these encumbrances, the standard of

living studies should afford us clearer notions of just what functions we should expect of families, and the minimums which are demanded for their performance—minimums of comfort, as expressed in rentals and clothing, minimums of refreshment, as expressed in food and leisure, and minimums of reproduction, as expressed in terms of strong physical parenthood, and household equipment for caring for the young. On the test of such standards, public opinion could base its judgments as to immigration, hours, wages, workingmen's compensation in case of accident, and other policies that affect or jeopardize these standards.

My third point is that the household, existing against these odds, is made the goad for that damnable driving of men to which Mr. Devine has referred. The mill workers are for the most part tonnage men. They are paid on output. As Mr. Fitch states in his survey report, when the rate "is judiciously cut from time to time, this tonnage system of payment becomes the most effective scheme for inducing speed yet devised. Whatever a man's earnings may be, high or low, his family adjusts itself to that basis and that becomes his minimum of comfort. The man who has had six dollars a day and is reduced to four dollars has a harder time getting along on that than the man who never has been able to develop four-dollar tastes. The mere possibility of greater earnings than any yet enjoyed does not suffice to rouse men to the required degree. Only a reduction accomplishes that, for it makes it necessary to struggle to reach once again the old wage which was the minimum of comfort."

My last point has to do with the relation of the family to the dynamic character of the population of our industrial districts. In the Royal Museum of Munich is a group of models of mediaeval towns, carved out of wood.

The spires and the markets, the city wall and gates, the houses, gardens, and out-buildings are shown with a fidelity that has outlived the centuries. There was entrenched the fixity of things. A man was his father's son. He was burgher, or freeman, or serf, as his father was burgher, or freeman, or serf. His looms and his spinning-wheels and his vats were as his father had contrived them. He lived in the house of his fathers, and it served him well. Pittsburgh is the antithesis of all this. It is all motion. The modern industrial community is not a tank, but a flow. Not the capacity but the currents of its life are important. Sixty per cent of the working population of Homestead are unskilled laborers. The great majority of these are new comers, foreign born. In one of the plants of the Pittsburgh District, the employment agent hired 20,000 men in one year to keep up a pay-roll of 10,000. Unless the skilled worker keeps himself free to sell his labor in the highest market, he is economically at a disadvantage.

I should not want to claim for this idea of flow as the distinctive element in industrial community life, such a revolution of conceptions as Professor Clark wrought in defining the production of wealth in terms of a flow of utilities. But two things are to be noted. The first is that it strengthens the demand that we relieve the family in an industrial community from many of the old household responsibilities. Sanitation cannot be left to Tom, Dick, and Harry if they are on the go. Local health authorities must be developed with strength and scientific standards enough to maintain clear water, adequate sewage, good drainage. Men must have leisure enough to back up this sort of administration with effective citizenship. The lodging of the floating immigrant labor force cannot be left to boarding-bosses and petty landlords. The second

thing is that civic conditions and social agencies must be adapted so that mobile family units shall not be at a disadvantage. Let me illustrate in the matter of shelter. It could be readily demonstrated that the man who lives in a company house, who rents from a local landlord, or who buys his own house in a mill town, is in each case at a disadvantage, either as a householder or a labor-seller. The English coöperative housing movement, by which a workman buys not a building but stock in a housing company, is a movement to give the sense of ownership without clogging mobility. Similarly, the ordinary form of company accident relief association ties the workman up tight, while a rational form of workingman's compensation would give him emergency resources whatever his changes in employment and whatever the disrupting influences of industry upon the family.

The development of such schemes is not more communistic than the development of organized work in a mill is socialistic. They may be defined as giving elements of stability to the family other than geographical. They should lessen the overburdening of the family. By that degree they should equip the workmen to the more readily withstand exploitation and advance his living standards.

ECONOMIC GEOGRAPHY:

AN ATTEMPT TO STATE WHAT IT IS AND WHAT IT
IS NOT.

EDWARD VAN DYKE ROBINSON.

Geography is the study of the earth in relation to life,—that is, of physical environment and organic responses. Geography consequently draws its material from all the physical sciences—physics, chemistry, astronomy, geology—and also from the biological sciences, including in a broad sense not only botany and zoölogy, but also anthropology, which considers man as an animal and ruled by necessity.

Until the time of Ritter in Germany, and as late as 1890 in the English speaking world, geography was conceived as the description rather than the study of the earth. It was, in fact, the geography of position, rather than of distribution in a dynamic sense. The standing injunctions were consequently “locate and describe”; and students spent their time learning endless and senseless lists of rivers, capes, bays, counties, capitals, and boundaries, which they were, however, enabled by a merciful provision of nature speedily to forget. Ritter introduced a teleological conception of the world, believing it specially made and adapted for the uses of man. This conception is illustrated clearly, though crudely, by the remark attributed to a famous preacher, that it was “so kind of the Lord to have made the great rivers run through the great cities.”

Finally, as a consequence of the Darwinian revolution in biology, came the doctrine that all forms of life are

gradually adapted to their environment; and it is on this doctrine that modern geography rests. This adaptation is organic and passive in the case of plants and animals, and even of man so far as his body is concerned; but it is functional and active in the case of man's economic activities. Thus an elephant transported to Siberia would have to grow a woolly covering, like the mammoth which once inhabited those regions, or perish; but man consciously adapts his mode of life to his physical and social environment, led by considerations of self-interest. And it is this active, conscious type of adaptation, under the spur of economic motives, which forms the subject matter of economic geography. Economic geography thus introduces a new element—the psychic nature of man—and is consequently the point of contact between the sciences dealing with external nature and the sciences dealing with human society.

While geography was thus extending its field toward, and in fact across, the line separating it from economics, a similar expansion has occurred in economics. We consequently have today, in several American universities, courses in economic geography, under various names, offered both in the departments of geology (the mother-science of modern geography) and economics: and not a little doubt seems to exist as to what economic geography really is—whether it is geography, or economics, or a hybrid compound without true scientific unity.

Adam Smith, the most concrete of the classical economists, was keenly interested in the production of wealth; but with Ricardo the interest shifted to problems of distribution, which came to be regarded as the principal part of *political* economy, meaning the aspects of private business that are of public concern. So far as production was studied by the Ricardian school, emphasis was placed on

the part played by capital, and consequently on the importance of capital building as the source of economic progress. Land and other natural resources, on the other hand, were considered chiefly as sources of economic rent. Moreover, the method of reasoning, being abstract and systematic, was unfavorable to any regional treatment of the subject. Nevertheless, the economic importance of division of labor was clearly recognized, from Adam Smith down; and, when supplemented by the theory of comparative costs, elaborated by Cairnes and others, this doctrine was ready for a regional development. In other words, it tended to emphasize the advantages of the geographic distribution of labor. After the Historical School of economists had introduced the idea of relativity as to time and place, the necessity was apparent not only for a historical but also for a regional treatment of economic phenomena,— in other words, for economic history and economic geography.

The actual parentage of economic geography as a school study is, however, to be traced neither to geography nor to economics, but to certain compendia of unrelated scraps of information concerning anything and everything "useful for a merchant to know" which came into use in commercial schools during the eighteenth century; and it must be confessed that economic geography still bears not a few marks of its origin. Thus Scherzer's book (1885) which formed the basis of Chisholm, really belonged to *Wirtschaftskunde*, as this purely practical study is called; and through Chisholm the same encyclopedic and descriptive character has been impressed upon most of the English and American texts published in recent years. This juxtaposition of unconnected and undigested facts, of every degree of importance and unimportance, is perhaps most striking in works and in chapters

dealing with commodities and industries at large in place of upon a regional basis. *Wirthschaftskunde*, "whatever is useful for a merchant to know," is the first thing which, in my opinion, economic geography is not.

In most of the early works on *Wirthschaftskunde*, geography was either ignored or played a very subordinate role, as is indeed the case even in the best of the modern works, such as Oppel's "Natur und Arbeit." But the trading interests of the classes represented in the commercial schools gave rise, as early as the eighteenth century, to a special Trader's Geography (*Kaufmannsgeographie*, *Verkehrsgeographie*, *Handelsgeographie*), which is still represented in the lower and middle commercial schools of Europe by many compendia of miscellaneous facts regarding transportation and trade. It was from this class of works that Chisholm borrowed the name "commercial geography". So far as it is true to its name and parentage, commercial geography deals with accomplished facts rather than causes or tendencies, and with the movement or circulation of goods rather than the fundamental process of production. It thus lacks a causal or other rational interpretation for its masses of empirical facts, and is consequently driven to use the memoriter method almost exclusively. In practice this means that the pages of most of the books are filled with dollars and bushels and tons, in lieu of principles; and that, as some one has well said, the old lists of capes, islands, and bays have been replaced by equally useless lists of exports and imports, which, moreover, have the further disadvantage that they become obsolete over night. Commercial geography, therefore, is also in my opinion what economic geography is not.

What, then, is economic geography? Our friends the geographers would doubtless answer: economic geogra-

phy traces the influence exercised by physical environment upon economic activities. As I conceive it, economic geography does that, and much more: namely, it seeks to ascertain and explain the geographic division of labor,—that is, the localization of industries, in terms not alone of physical environment, but of all the factors involved, cultural as well as physical. It is thus a unified scientific discipline connecting with classical economics through the doctrines of division of labor and comparative costs, and using as material all such facts, and only such facts, as can be shown to have relation to the geographic division of labor. Moreover, it deals with principles rather than details; its method is in the main analytical rather than descriptive; and its controlling purpose is to establish scientific truth rather than to serve practical utility. No fact, in other words, belongs in economic geography merely because it is “useful for merchants to know”; nor is any fact excluded which bears on the geographic division of labor, however remote it may be from the physical environment. But no unrationalized fact has any place in economic geography except such as an “unknown” occupies in a chemical laboratory,—that is, as a problem to be solved.

In accordance with its purpose, economic geography will therefore consider first, under the head of natural controls, how relief, climate, soil, minerals, and other natural resources influence the geographic division of labor. It will next consider, under the head of human controls, race, religion, language, nationality, and government in so far, and only in so far, as they clearly affect the geographic division of labor. And finally it will consider, under the head of economic controls, to what extent transportation, the machinery of exchange, the supply, skill, and standard of living of labor, the supply,

efficiency, and cost of capital goods, the organization of the factors of production, the methods of production, the principle of competitive and complementary industries, and other economic factors, determine the geographic division of labor. Thus economic geography has no concern in general with weights and measures, or money, or banks, or the whole technique of trade; but if it can be shown, for example, that the metric system gives Germany an advantage over Great Britain in South American markets, then the metric system becomes to that extent a factor in the geographic division of labor,—that is, it tends to locate the economic complement of the wheat fields and cattle ranches of Argentina in Germany rather than England. Or, if it is true that the payment of interest on bank reserves in the United States drains money from the country into certain great cities and gives them in consequence a lower interest rate, then the reserve system becomes a factor in concentrating industries and population in the great cities and therefore in determining the geographic division of labor. Again, economic geography does not undertake the general description of methods of production: that is the business of technology. But when the Bessemer process of steel-making came into use, requiring ores free from certain impurities, it caused a migration of the steel industry into districts accessible to such ores. Whenever such a readjustment occurs, the new process must be treated in economic geography, not because it is important or “useful for merchants to know,” but because it has become a factor in the geographic division of labor.

After the general or systematic treatment of controls, some of the books adopt the regional plan, others divide the matter according to commodities or industries, and a few attempt to blend the two methods, treating the cot-

ton industry, for example, the world over, both in its agricultural and manufacturing phases, in connection with the South. If the foregoing considerations as to the scope and purpose of the subject are valid, there would seem to be no warrant for such diversity of theory and practice.

The control of industry by physical environment is logically first, since it underlies and conditions all others, even though, as often happens, other controls have become dominant. For this reason, every scientific treatment of economic geography must begin with the natural controls. But it is obvious that relief, soil, climate, and natural resources present striking differences in different regions, consequently the only method by which these differences can be analyzed and the natural control of industry can be adequately arrived at, is the regional method.

In considering each region, moreover, all the different kinds of controls are encountered, though in simpler and more stable combinations, which exist in the world at large; and there is the added advantage, since the connection of economic activities with the soil is more obvious, that the problem of the geographic division of labor is relatively simple and concrete compared to the problem presented by the world economy, with its bewildering complexity and shifting combinations of factors. It follows, therefore, that the intensive regional study of the world, or of some considerable portion of it, must logically precede and form the training for the broader and more difficult generalizations involved in the study of the great world industries,—that is, those producing staple commodities for which there is a world market.

It remains to consider briefly the relation of economic geography to geography, to economics, and to agricultural economics.

Economic geography derives its data relating to man's physical environment from geography, as geography in turn derives its data relating to inorganic and organic nature from the physical and biological sciences; but economic geography is not, for that reason, a part of geography, any more than geography is, for the same reason, a part of astronomy or geology or botany or zoölogy.

Moreover, as already indicated, the natural control of industry is only one of three classes of controls. Besides land, labor and capital are necessary to production, and variations in either labor or capital will affect the localization of industries quite as much as differences in physical environment; yet the facts as to labor and capital are furnished by economic history or economics proper, not by geography. For example, oats is a cool-temperate crop, yet it is grown more or less throughout the South, where the yield falls as low as fifteen bushels per acre, because it can be planted in the fall and harvested between the seasons for cultivating and picking cotton,—in other words, because it is a complementary rather than a competing crop. Again, textile mills are frequently located in steel towns, both in eastern Pennsylvania and in the Rhine country, because of the large number of unemployed women and girls in such communities. Further, Troy, N. Y., manufactures the bulk of the collars and cuffs made in America. Is there perhaps something in the soil or climate of Troy which causes this industry to flourish there? The fact is, of course, that it is due merely to an early start, acquired business connections and prestige, and the formation of a "pool" of skilled labor. Indeed physical environment alone is inadequate to explain the use or disuse of soil and other natural resources. For example, the land in the suburbs of Minneapolis is as well adapted by nature to the growth of wheat as land a

hundred miles away; but it is not, and cannot be, used commercially for that purpose because it has become so valuable that crops yielding a larger return per acre must be planted. And the majority of the mineral deposits in the world are still, and perhaps will always be, economically useless because of considerations based on labor supply, transportation, or markets.

Further, not only are the data of economic geography predominantly derived from other sources than geography, but in reasoning concerning even those data which do come from geography, economic categories are and must be employed. Natural resources indeed—soil, forests, waterpower, minerals—are due to nature, but products are due to man. The natural control of industry must consequently be transmuted into human motives or it remains ineffective. In determining whether or what he will produce, man—the individual man on whose initiative production in the last analysis depends—balances the marginal cost to himself of the effort and sacrifice against the marginal utility to himself of the resulting products, or of their equivalents in other goods; and nature enters into his calculations only as it enables him to produce more goods or at less cost. In other words, natural control is effective only in so far as it becomes transformed in the mind of the producer into considerations of utility,—that is, under modern conditions, of exchange value. And where psychic considerations relating to utility and value enter, there, if anywhere, geography surely ends and economics begins.

In view of the fact that economic geography depends on other sciences than geography for many, if not most, of its data, and necessarily employs economic categories in handling all its data, it would seem a fair inference that economic geography is not a part of geography, nor

yet a mongrel compound of geography and economics, but an integral part of economics. For the same reasons, it would appear that economic geography cannot be adequately handled except by a trained economist.

The relation of economic geography to economics may be further characterized as that of physical basis to theoretical superstructure. It is indispensable, as economic history is indispensable, to establish the facts regarding the development and present localization of industry, which facts, fundamental as they are, economics must otherwise take for granted. To state the matter more practically, to attempt to instruct students in theoretical economics, who know little or nothing of the world of industry from which these theories are derived, is like attempting to make bricks without straw.

The relation of economic geography to agricultural economics, another recent development of economic science, is still imperfectly defined. Both deal in part with the same material; in fact, agricultural economics furnishes to economic geography many important facts and principles, such as the distinction between competitive and complementary crops. But they differ radically in purpose and scope. Economic geography has to do with all classes of industries—extractive, manufacturing, and distributive—in so far as they can be related to the geographic division of labor: agricultural economics, on the other hand, is limited to one industry, or group of industries, which it studies in detail with a view to enlarged returns, both for the individual and for society at large. Agricultural economics does not, it is true, carry its investigations into agricultural technology,—that is, the practical handling of soils, machinery, and crops; but it does deal with everything pertaining to the business side of farming, on the theory that “the state prospers when the

people prosper," and that, in consequence, the most efficient and economical production and marketing of agricultural products is an aspect of private business which is preëminently of public concern.

COÖPERATION IN THE MARKETING OF AGRICULTURAL PRODUCE.

JOHN LEE COULTER.

I think no one will deny that a prosperous and well-satisfied agricultural class in charge of a highly developed agricultural industry is as necessary—if not more necessary—to the welfare of a great nation as perfection in any other industry. I believe that the Commission on Rural Life which has been investigating agricultural conditions will report that much must be done before we can say that the mass of farmers of the United States are satisfied, happy in their lot, and as substantial a foundation for national prosperity as might be desired. Not until the flow of population is reversed and is directed from city to country can we say that the country has caught up with or surpassed the city.

Some of the steps which should be taken and which would assist in the uplift of agriculture and the agricultural class are better educational facilities, better roads, more extended rural mail delivery, the parcels post, and better sanitary conditions. The local, state, or national government can at once make these improvements and thus perform their part in the general uplift. But this is not enough. The farmers must have more money with which to satisfy wants,—real wants which urban dwellers now satisfy but which rural dwellers must leave unsatisfied. What is needed is, first of all, a larger net income. Then the farmers could make fuller use of the schools placed at their disposal, could pay the charges of the parcel post and buy parcels to be carried, could subscribe

for farm papers and magazines and more fully utilize the rural mail delivery, could have horses and carriages or automobiles and use the better roads, which would do so much toward social betterment, and could maintain more sanitary homes.

Nor is it enough that the farmer should be enabled to fully use and appreciate these agencies or institutions established for him by governments. With a larger net income the farmer could have telephones, could encourage interurban electric lines, and use them from time to time in order to keep more nearly in touch with the economic, intellectual, and social developments of the cities. He could reduce some of the drudgery of farming by greater utilization of machinery, hire more and better labor, and give his children more and better educational advantages, improve his buildings and grounds, shorten his hours of labor, and in all directions raise the social, economic, and intellectual standing of the agricultural class.

We have noted two quite different ways of elevating the standing of the farmers,—the first by having the state establish agencies and institutions for their general uplift, the second by making possible a greater net income and thus making it possible for the farmers to utilize these things, and in other ways improve their conditions. But in order to have a larger net income the consumers must pay more for agricultural products or there must be greater economy in production. After a careful study of the economies and wastes of the present system of production, I do not believe that consumers need be called upon to pay a larger price for the produce. There must, therefore, be a greater economy in production.

I mean by production the creation of utilities,—whether they be form or time or place or elementary or possession

utilities. With this definition of production it will be seen that I include not only the first steps,—those which are performed on the farm,—but all steps taken in the creation of utilities and putting them into the hands of consumers. Thus it is clear that marketing is merely one of a series of steps in production, as also are the manufacturing processes, for example, milling of cereals, or packing of meats. All will admit that at the present time we have not nearly approached the most economic methods in many of the steps of production; and I believe that an important change in the business organization of some of the steps is desirable at the present time.

Agricultural colleges, experimental stations, individuals, and groups of individuals, have done so much in the last half century that the steps in production which are carried out on the farms have been developed to a very high standard. Putting into effect the results of successful experimentation would raise that phase to a state of perfection far above most industries. In many of the manufacturing processes referred to such success has been attained and such economy in these steps secured that little need be suggested in the way of improvements in these steps. It is, then, in the work of putting produce in form and getting it to the consumer in the case of such goods as do not pass through factories, and getting other produce to factories, and from the factories to consumers, that great waste occurs, if it occurs at any point.

Under the present system there is a great gap between the farmer and the consumer of his products, which is bridged by a complicated trading or distributive mechanism composed of local and terminal warehouses or elevators, railways, commission merchants, sometimes factories, brokers, and other middlemen. In bridging this gap there are two great classes of possible waste

which may occur and which may be briefly referred to. The first is in the gathering of the produce, sorting, grading and packing the same, storing it until wanted, and shipping it to the consumer. The second is in the organization of the marketing system, and includes terminal receiving, weighing, inspection, insuring, and buying and selling.

Whether the goods are to be changed by manufacturing processes such as milling, packing, canning, brewing, or any other form of change, or directly consumed, as in the case of much fruit, eggs, poultry, vegetables, etc., the time has come when grading, packing, and shipping associations are necessary. Some of the economies possible here are (1) collective sorting, grading, and packing the different grades of produce; (2) coöperative collecting of goods into sufficient quantities of uniform grade to command the better markets; (3) more effective bargaining with transportation companies for better rates, services, special cars, etc.; and (4) coöperative storing, mixing or separating, and handling of produce. Here we have not only economies which make possible larger net income for the farmers and a development of agriculture, but also a better service to consumers at the same prices.

Much has already been done in some European countries along this line and much is yet to be done. Much also has been accomplished in the United States,—for instance, in the cases of coöperative effort among the grape farmers of western New York, vegetable farmers of the South, and fruit growers of the West. The more recent movement of associations connected with the American Society of Equity, such as the peanut farmers, tobacco farmers, wheat farmers, and others of the North, and those connected with the Educational and Coöperative Union of the South, have in mind to make many of these savings.

As an illustration of the need of some such organized effort, we may refer to the fact that in Minneapolis in 1908 more than 25,000 pounds of diseased and decayed meats were taken from the markets by the meat inspector. Most of this was consignments to commission houses by farmers. Much of it arrived in the city in poor condition owing to the failure of the shippers to take proper precautions. Great waste in fruit, vegetables, dairy products, meat, and other perishable agricultural products are reported almost daily, on account of failure on the part of farmers to take proper precautions. Nor is the waste limited to the large class of perishable produce. Referring to the cereals the Minnesota grain inspector's report for the fiscal year 1905-6 showed that 4,111,749 bushels of foul seed, etc., were shipped to the terminals with wheat; and the report for 1906-7 shows that "of the 134,298 car-loads of spring wheat inspected "on arrival" at the several terminal points during the year 6,525 car-loads were docked one-half pound per bushel; 29,146 one pound; 28,079 one and one-half pounds; 25,634 two pounds; 13,306 two and one-half pounds; 12,889 three pounds; 18,133 over three and at an average of four pounds; and 586 were without any dockage,—the net average dockage being 32.2 per bushel as against 27.9 ounces the previous year."

From this it is clear that the farmers ship annually to the Minnesota terminals over 4,000,000 bushels of "dockage" with the wheat, pay freight on it to the extent of a third of a million dollars per year, haul it to the local stations, pay commission and storage on it, and then pass it over to the middlemen.

The supervising inspector of local warehouses says regarding the possibility of cleaning the grain before shipping, "It is feasible because practically all grain shipped

to the terminals is shipped through local houses and would be profitable in two ways; that of the farmer getting back his screenings, which he could use for feed; and in the large amount of freight that would be saved. One local warehouseman in this state told me that in one year he saved \$216 in freight by cleaning all grain that he bought, and the rate from his station was only $7\frac{1}{2}$ cents per hundred."

Another illustration of the need for better organized effort among farmers is the fact that in 1907 out of a total of 223,873 cars shipped, 15,399 were reported by inspectors as in "bad order". Railroad companies should be required to supply cars, of the commonest kind, at least, which are not leaky. Many other illustrations of possible savings could be cited.

We may now refer briefly to the case where farm products pass through some manufacturing process between producers and consumers. In a more extended treatment the cases of perishable and non-perishable goods should be separately considered. The question of ownership of the factory is the most important one here. At the present time there is a very decided movement in the direction of control of these factories by the producers or consumers. Coöperative creameries and cheeseries in this country illustrate control by producers. Minnesota and Iowa have over 1000 coöperative creameries. Factories owned by wholesale and retail societies abroad illustrate control by consumers. Another move in the same direction is the purchase of stock in the factories by the producers or consumers. This makes possible a control of the factory policy. To illustrate we might note that in Germany of the 11,672,816 metric tons of beets delivered to the factories in 1905-6. 2,689,004 tons were grown by shareholders.

Referring to the second of the two general steps in the marketing system,—the commission business and speculation, I would ask this question: Is it not uneconomical? And even if it could be shown to be as economical as a system of bonded agents of shipping associations on good salaries, does it not harbor much of evil? Is there not a chance for some of these middlemen to betray the interests of clients and systematically overcharge for insurance, hauling, storing, etc.; or by buying for themselves when the markets are depressed only to sell to the detriment of both clients when markets are better, on account of knowledge of the market, may they not work to the detriment of both of the other classes? The presence of this great gap between the producer of all but possession utilities and the consumers must be admitted by all, and the chance to take advantage of the clients must also be admitted.

In this connection we might profitably think of the economies of coöperative fruit exchanges, as a result of withdrawing hundreds of agents or buyers of the commission houses from the field, as also of salesmen. The savings are comparable to those which would be possible if one milk man, having on hand several varieties of milk and cream, would serve all consumers in a certain district in place of the present expensive system,—or lack of system.

An analysis of the progress of the last century shows a rapid extension of the principles of division of labor, with comparatively less important changes in the actual processes of production. Every improvement in transportation, storing, or manufacturing, and every change in the wants of the people affecting their demand for goods of the kind under consideration, has complicated the distributive mechanism. But we can have continued

division of labor without having each process performed by a separate class on its own responsibility. With an effective system of coöperation, most parts of the present diffused marketing machinery could be managed by the farmers who produce the raw material.

This is desirable because of the economy, and also because of the effect which it would have upon the coöperators. Much of the monotony of the farm could be destroyed, social activities introduced, business-like methods developed, and the agricultural class raised to a higher plane of thought, feelings, and efficiency than now maintains.

AGRICULTURAL ECONOMICS—DISCUSSION.

J. B. MORMAN: In the first place I desire to call attention to the *nature* of farm products which places them in an entirely distinct class from many other marketable goods. Agricultural products are (1) *necessary goods*, that is, we must have them in order to live, and be clothed, and furnish our homes, etc.; and (2) agricultural products are many of them extremely *perishable*. This last feature is the one which emphasizes the need for the best facilities for the grading and marketing of farm products so as to bring the best results to the producers and the best goods in the best condition to the consumer.

It may be laid down at the outset as a general principle that the more perishable the product the more effective is the principle of coöperation. Thus, if a farmer is engaged in the production of the more stable crops, as cotton, corn, wheat, potatoes, tobacco, flax, etc., it is not absolutely necessary that he rush them to market as soon as harvested in order to get any returns at all, for they will keep for many months with little or no deterioration, and, in fact, may improve in quality with the lapse of time. And, again, there may be a financial advantage in holding the crop for a limited length of time in the expectation of a rise in the market values of the farmer's products. But this is not the case with many other crops and farm products. The daily call of the cities is for fresh milk, poultry, eggs, butter, fruits, vegetables, and so on; and the great perishability of most of these products makes their grading and rapid marketing absolutely necessary, in

order to bring a fair compensation to the producer and satisfactory goods to the consumer.

It would be natural, therefore, to expect that coöperation would develop most rapidly among farmers who raise goods of a perishable nature, and this supposition is borne out by the facts. In all countries the greatest number of societies is to be found among those engaged in the production and marketing of dairy products, meat and poultry products, fruits, vegetables, and other readily perishable goods. Evidently, therefore, for the welfare of all concerned, it is absolutely essential that the economic and social machinery engaged in the care, handling, transportation and distribution of such goods be of the best as regards cleanliness, neatness, and dispatch.

Now, the transportation of such products from their places of production to the great centers of population, which constitute the chief markets, involves at the present time long hauls in fast trains, equipped especially for just such traffic. Thus cars must be iced and well ventilated in summer and warmed in winter. Great care must be exercised in the handling of such goods, and delivery must be made promptly on arrival at destination. The transportation of perishable agricultural products as a rule now requires more skilled labor, careful supervision and management, and special service. This means extra expense to transportation companies and, consequently, extra charges. It is this element as much as any which has called into greater activity the coöperative movement among farmers with the growth of cities and the development of society. It has been thought that by combining into associations for the purpose of shipping in bulk rather than in small quantities, reduction in transportation charges could be brought about. This has been the case both in Europe and the United States, the transporta-

tion companies in the past having met the farmers half way on all such reasonable propositions; and thus there has been a saving on transportation rates to individual shippers, and particularly to small farmers, as a result of coöperation.

The question of the increased returns to the producers for their farm products as a result of coöperation is also worthy of mention. One of the requirements of those entering a coöperative organization is that the goods offered for sale through the society come up to a fixed standard, and every inducement is set before members to improve the quality of their products so as to give the goods of their particular organization a standing in the markets of the world. This is done on the theory that goods well packed and graded will secure a higher price than those not so marketed. As a rule this result has also been accomplished, as witness the high prices of Danish butter, bacon, and eggs on the London market, of Irish dressed poultry and other products on the Liverpool market, and of the packs of fruits by certain coöperative fruit growers on many American markets. To cite a particular case: The Hood River Fruit Growers' Union of Oregon, a combination of more than a hundred growers, in four years, by the excellency of their fruits and the uniformity and high quality of their packs, raised the price of apples from 85 cents to \$2.50 and \$3.15 per box, according to grade and variety of the fruit. Apples shipped to England in 1906 netted this association \$1.32 per box for the same grade that sold in the United States for 85 cents.

Some Canadian fruit growers' associations secured equally good or better results for their members by the sale of their packs on the Liverpool and London markets as a result of careful grading and marketing of their products.

As a general rule, therefore, it can be said that the results of coöperation to farmers in the grading and marketing of their products have been reduced transportation rates, the placing of a better quality of goods on the market, and increased prices. These have been the general results the world over.

The economic limitations of coöperation are more apparent when we examine the results of the movement as regards the elimination of the middleman. Very little of the agricultural produce raised in the United States is sold direct from producer to consumer. The great bulk goes through the hands of commission merchants and through them to retail dealers who sell to consumers. While this method now seems inevitable because of the complex organization of society, the aim of coöperation has been either to eliminate the middleman altogether or to cut down his profits so as to assure greater returns to the producers. But the very organization of industry, whether individual or coöperative, creates middlemen, whose function it is to serve as the agents between farmers and the consumers of agricultural produce. Coöperative organizations *have not been able to dispense with the economic machinery of distribution*. In the United States, where the coöperative grading and marketing of vegetables have reached the highest degree of perfection, the custom of associations is to send to the most important distributing points agents whose duty it is to inspect all cars of produce coming into their territory. The purpose of inspection is to protect the association from dishonest buyers and adjust differences that arise when produce actually reaches the buyer in poor condition. The agent, therefore, is more or less of a middleman, for his salary takes the place of the ordinary commission merchant's profits. In like manner when

dairy products are manufactured, a coöperative association has to employ overseers and factory hands; where eggs are collected, graded, and marketed, the coöperative associations have to employ managers, packers, clerks, and other workmen. In fact, the only difference between the commercial and coöperative systems is that with the latter the expenses are under the control of the organization, and what can be saved in running expenses helps to increase the returns to the producers, whereas over the profits of the commercial middleman the producer has no control. That the middleman's profits were frequently large and out of all proportion to the value of the economic or sociological functions performed, there can be no question; that the small farmer was frequently placed in an unenviable position on account of the perishability of his goods and his absolute dependence upon the honesty of the commission merchant through whom he did business, is also beyond question. In very few cases, however, has it been possible to eliminate the middleman altogether, though coöperation has in some instances dispensed with the need of the itinerant buyer. The expenses of such organizations are sometimes very large, and this materially reduces the returns to the producers: thus, to cite a particular case, the Grand Junction Fruit Association of Colorado. This coöperative concern in 1906 did a total business of \$814,278.62, of which the sum of \$555,813.44 was paid to growers as the price of their fruit and in premiums. Therefore, the expenses for the year 1906 amounted to \$258,465.18, or nearly one-third the total value of the business transacted. Whether or not the fruit growers would have received as much had they shipped their produce as individuals to commission merchants, it is impossible to say; but the figures prove that coöperation cannot dispense with the economic ma-

chinery of the middleman nor escape altogether from what are sometimes regarded as his "enormous profits." But it was to equalize the rewards of labor on the part of these two parties (the farmer and the middleman), in the production and distribution of agricultural produce, that called into being the coöperative organizations, and little consideration has been given as to what would be the effect of the movement on the welfare of the third party in the transaction—the consumer.

Now, it is a well known economic fact that the consumer has to pay in the final purchase price of his goods the sum total of all costs which the complication of modern industry involves,—that is, the costs of production, transportation, wholesale and retail distribution, and the profits of each party. For men are not in business for charity. Consequently, with the development of the social machinery of distribution there has been a gradual rise in prices to the consumer for those particular forms of agricultural produce which constitute our daily necessities of life. Moreover, there seems no reason to expect that coöperation will reduce to any extent, if at all, the price of farm produce to consumers; for the general objects of coöperative associations are to secure to producers all possible advantages in the marketing of their produce and to build up a standard of excellence. These are certainly worthy objects, but they only affect the consumer as regards the quality of goods offered for sale for which, as a general rule, an increased price has to be paid.

In view of these economic limitations in the results of coöperation in the marketing of agricultural produce, I will conclude with a few general deductions:

(1) AS TO THE IMPROVEMENT IN THE QUALITY OF THE PRODUCTS.

This is not a necessary consequence of coöperation. While as a rule the aim of associations is to bring all members up to the same standard, where products are pooled, where individual members do their own packing, the inspection of such packs often results in placing them in a lower grade, either on account of the bad packing or inferior quality of the goods. In other words, coöperation does not absolutely assure well-packed, first-class products. The only assurance of such a result lies in the ambition of the individual to excel, and this would bring better returns to the producer on the merits of the goods. In ordinary business dealings the better quality of products brings higher prices; and when a standard of excellence is maintained the public is usually willing to pay the higher price for the better quality of goods. There is certainly an economic limit, then, to coöperation in this direction.

(2) AS TO THE ELIMINATION OF THE MIDDLEMAN.

This has not taken place, though there has been a modification of the middleman's control over products consigned to him for sale. This is accomplished by the association's own agent at a salary, and in this capacity performs the business functions of the commercial middleman. Under the coöperative régime, therefore, the commercial relations still prevail, though in a form under the control of the association.

(3) AS TO THE BENEFITS TO CONSUMERS.

These are absolutely negative, so far as the reduction in the cost of the means of subsistence is concerned. The possible benefit is in the supply of a better grade of goods at an increased price—a result which can and does occur under individualistic production and marketing of agricultural products.

Though these difficulties which exist as a result of

social organization may not be overcome by means of co-operation, still the movement is worthy of commendation. The great benefits that have followed the institution of coöperative societies among farmers the world over, especially in the advantages that fall to the lot of the small farmer, who in many respects is placed on the same economic level as the large grower and shipper, prove it to be one of the most practical agencies yet conceived and put in operation for promoting the real welfare of the agricultural classes.

The purpose of calling attention to these facts is to contrast the negative with the positive results of the movement. In addition to such benefits as the securing of higher prices to farmers, easier methods of securing credit, better returns for labor, better terms in purchasing supplies, and cheaper transportation rates,—coöperation has had this important result in that it has had a tendency to keep the people on the land, and thus, to some extent, to diminish the tendency of overcrowding in cities. And how to keep the people on the land is one of the most serious of problems the world over. Therefore, any movement that has a tendency to encourage the pursuit of agriculture should receive the heartiest support of national governments. In view of the facts in the case, there is no movement so commendable at the present time as the co-operative organization of agriculture, the industry that of all industries possesses within its range the chief factors for promoting the highest degree of national welfare.

T. N. CARVER: Professor Emery's paper was to me very suggestive and instructive. One theoretical inference from his discussion is that where a certain necessary economic function is performed by men who regard it as a sport or a game, it may be done very cheaply. There

is a speculative element in the buying of products whenever there is a considerable time elapsing between their production and their consumption. Somebody must assume this speculative risk. If there are in the community a considerable number of men who do this as a kind of sport, or through the gratification of the gambling instinct, it may be done very cheaply; in other words, there will be a very small margin between the price which the producer gets and the price which the consumer has to pay.

Mr. Mormon's paper on coöperation in agriculture is chiefly interesting to me for the reason that it shows very clearly that there is no real coöperation in agriculture. Generally speaking, there are two types of coöperation,—one that in which the people who do the work coöperate among themselves in the doing of it, the other is where a number of people coöperate in order to get some other kind of work done as cheaply as possible. The first I should call true coöperation, the second quasi coöperation. For example, I once visited a so-called coöperative shoe factory. One might expect that a coöperative shoe factory would be one in which the operators ran their own plant, and ran it coöperatively. This was nothing of the kind. The operators were hired just as they are in a privately owned plant, and were paid the same wages as in a privately owned plant. It was a coöperative factory only in the sense of being owned by a coöperative society which wanted to get shoes as cheaply as possible. That is, they were coöperating not in their work, but in order to get other work done for them as cheaply as possible. This seems to be the only kind of coöperation which is found among the farmers of this country. In other words, there is no evidence that there is any real coöperative farming, where the farms are run and owned coöperatively by the people who do the work.

WATER TRANSPORTATION IN THIS COUNTRY.

ROUND TABLE DISCUSSION. F. H. DIXON, *Chairman*.

F. H. DIXON: The subject of Water Transportation in the United States has grown so rapidly in general interest and has come to occupy so much of public attention that it seemed entirely proper to your chairman to make it the basis of discussion in a transportation round table. Attention was sharply directed to the extent and the comparative inutility of our waterways a few years ago, when business was at its height and the railroads were proving themselves unable to meet the traffic requirements, and the interest then aroused has been kept alive by the meetings of various congresses and by individual discussion.

The question has many phases and gives opportunity for the expression of opinion on many fundamental points, economic, financial, and political. The present situation in the United States has undoubtedly been brought about by our *laissez-faire* policy, which has left waterways and railroads to develop practically unaided by government; and I think it will be generally conceded that where inland waterways and railroads are left to private initiative, the waterways will be unable to compete.

The question then arises, Shall the government step in as it has done in the European countries and subsidize the waterways? Will the expenditure justify itself? Granted that the principle can be defended, are there insuperable difficulties of an engineering or physical character that will endanger the success of such projects,

for example, in the case of the Mississippi and Ohio rivers?

Again, shall such work be undertaken by the state or by the federal government? And if the federal government is to assume the task, shall it be proceeded with slowly and experimentally, or shall we enter at once upon a comprehensive plan, which will contemplate, for example, the issue of five hundred millions of bonds?

Such are some of the questions that suggest themselves. We do not propose to solve them today, but I hope we may get some very definite expressions of opinion upon them. We have passed beyond the stage when mere generalizations and unqualified rhapsodies upon the beauties of water transportation are longer of any value. The threadbare statement which is no truer today than when first uttered, that water transportation is inherently cheaper than rail, will not add to our knowledge of the subject. I hope that the discussion will rather take the form of concrete and definite expression of opinions on the questions involved.

FACTORS AFFECTING THE FUTURE OF WATER TRANSPORTATION IN THE UNITED STATES.

EMORY R. JOHNSON.

The usefulness of inland waterways for transportation, and, doubtless, the extent to which they will be made available for use, cannot be determined merely by considering the capital costs and operating expenses of moving freight by rail and by water. Useful as such a study may be, it can supply only a part of the data required. The problem is a complex one containing several economic factors, some of which seem to be neglected in most discussions of the functions of waterways.

The use of most of the inland waterways of the United States has declined during recent years as the result of two causes, the chief of which has been that the railways have provided most sections of the country with adequate transportation that was usually as cheap as, and almost always better than, could be provided by the waterways. Where the transportation service was performed by the railways without difficulty there was little justification for the expenditure of large sums of money, either public or private, in the improvement and extension of waterways.

Another major cause of the declining use of waterways has been the growing difficulty of maintaining the navigability of our rivers. The practical de-forestation of large areas in the eastern half of the United States has so enhanced the seasonal variation in the flow-off of water as to cause our streams to alternate between periods

of high flood and extreme low water. Our waterways have been more than neglected; their navigability in a large measure has been destroyed by the wasteful cutting of our forests, and by the unscientific methods of tillage whereby the amount of silt thrown into the streams to form bars has become so great as to make it impossible for the rivers to maintain channels as deep and as wide as they formerly had.

The fact that for this and other reasons our inland waterways are not now used so extensively as they have been in the past does not prove that waterways adapted to present commercial needs and kept up to date technically will not be of large future use. One reason why the present light traffic on our waterways does not indicate that they are to continue to be of small service is that there is little prospect of any considerable future reduction in the costs of moving traffic by rail. During the past ten years the unit expense of handling freight by rail, for reasons patent to every student of economics, has grown larger in spite of the fact that the rapid rise in the volume of traffic has, in consequence of the operation of the law of diminishing costs in the transportation business, tended to keep down ton-mileage expenses in the freight service. The tendency towards higher cost is noticeable in bulk traffic as well as in package freight.

Furthermore, and what is still more important, there are reasons for believing that railway transportation in the United States is to be gradually reorganized in such a way as largely to increase the cost of the service. Up to the present time the ideal of the traffic manager has been, and it is still his ideal, to move freight in the largest possible car-load and train-load units. The greater share of the tonnage of American railroads consists of bulky commodities,—such as coal, iron ore, lumber, and grain,—

which can be handled not only in car load lots but in train loads; and which, from the size of our country, must be moved long distances in order to reach the manufacturing centers of the United States and the primary markets within and without our borders. Consequently the aim of the traffic officials has been to build up a transportation machine adapted to the economical movement of this kind of traffic.

Our railroads have been extremely successful and it has been most fortunate for our country that such has been the case. It seems clear, however, that the present freight service of American railroads, efficient as it is, will not long be adapted to doing the transportation work required in effecting exchanges as business is being organized. Time has come to be such an important factor in business that speed and certainty of transportation, although more expensive, may prove to be much more economical. In England, France, and Germany the railroad freight service has for some time been organized so as to accomplish the quick movement and schedule delivery of parcels, packages, and general commodity freight. Such an organization of the rail transportation service is much more easily developed where there is a division of the transportation work between the railroads and the waterways. The division of traffic between the two agencies makes possible the close coördination of railroad freight traffic with the wholesale and retail trade. This coördination enables the merchant to reduce capital cost and makes it possible for the manufacturer to lessen both capital and warehousing expenses by permitting him to make frequent deliveries in small units. This method of conducting the mercantile, manufacturing, and transportation businesses meets the needs of densely populated and highly developed industrial countries such as Germany, France, and particularly Great Britain.

Such an organization of the business of transportation as has been worked out in the three European countries just mentioned does not result in as low average freight rates by rail as prevail in the United States; but the costs of wholesale and retail distribution and of many manufacturing activities are undoubtedly less than they would be were the people of Europe served almost entirely by railroads and not by railroads and waterways. Our dependence upon railroads, almost exclusively, for the movement of bulky commodities long distances even at low average rates, while we at the same time neglect the development and use of our inland waterways, does not necessarily mean that we have organized our work of production and distribution in the most economical manner. Indeed, there can be little doubt that, as social and industrial conditions in the United States approach more closely those prevailing in Europe, we shall find it increasingly desirable to provide ourselves both with well-developed waterways for handling much of our bulky traffic and with railroads more efficient than present conditions permit them to be in the handling of package freight. We, as well as Europe, will find it profitable to minimize capital and warehousing costs.

The use of American waterways in the future will naturally depend in no small degree upon who constructs and maintains them. It is practically certain that all the important works of transportation improvement will, in the future, be executed by the United States government. This means that the work eventually will be more systematically done and that the routes selected for development will be of interstate and national importance. I am not unaware of the present lack of system in the methods by which the United States government now spends the public funds in the improvement of inland navigation.

None the less, I am convinced that the many powerful influences now operating are certain to bring about a complete change in the waterways policy of the United States government. We are apparently passing through a transition period as regards the construction of waterways. Many of the earlier works were executed for local purposes by corporations which were sometimes industrial companies and sometimes common carriers. The larger works were constructed by the states; now there is little probability that either corporations or the states will, except in so far as the states may coöperate with the federal government, invest capital in waterways. The works required for business needs are mainly interstate and national in character. This is so plainly the case that there is rapidly growing a demand on the part of the public that the entire net work of American waterways shall be improved and extended systematically by one authority, with reference to the economic and social needs of the entire nation. In the future but small place in the development and control of waterways will be occupied either by the states or by private corporations.

Possibly the factor of most significance with regard to the future use of American waterways is the growing appreciation on the part of the people of the United States of the vast importance of water as a natural resource that should be utilized as fully as is practicable. The water that falls in rain and snow over our vast territory, like the soil upon which it descends, is a permanent natural resource that can be definitely measured and can be utilized as fully as the agricultural, industrial, social, and navigation needs of the country require. Until recently we have thought of this water resource mainly in connection with navigation; now we are studying it with reference not only to navigation but also to the irrigation

of our arid lands, to the development of the immensely valuable water power, and to the redemption of overflowed swamp areas. To make our water useful for these purposes, as well as to supply ourselves with lumber and fuel, we are setting about systematically to maintain and restore our forests. Unquestionably our appreciation of the necessity of conserving and using the entire water resources of the country simultaneously for irrigation, water power, navigation, and for the people of our cities, will hasten the movement for the development of our navigable ways; moreover, stream control for purposes of commerce will come more quickly because it will hasten the reclamation of vast areas of reclaimable swamp lands.

Conclusion.

Instead of attempting to discuss in detail the many factors affecting the future of water transportation in the United States, the following conclusions are submitted as a basis for discussion:

1. The internal commerce of the United States is growing rapidly and is certain to increase with accelerating speed. The demand for economical transportation facilities for the movement of bulk traffic will not lessen, but will increase—at least for some time to come. It will apparently be economically desirable that the larger trunk line water routes of the United States shall be adapted to commercial uses.
2. The necessity for the development of our waterways is emphasized by the fact that any considerable future reductions in the costs of rail transportation are improbable.
3. The service of American railroads will probably be changed so as to permit the handling of a large volume of commodity freight expeditiously and in small units.

This will tend to make rail transportation costs higher instead of lower.

4. The foregoing facts suggest that the following law is valid: The economy of employing both railroads and waterways for the performance of the transportation services becomes greater in every country and in particular sections of a country with the increase in population and the development and specialization of industry.

5. The future use of American waterways for navigation will be increased by the conserving of our entire water resources for all purposes to which they may be put.

WATER TRANSPORTATION—DISCUSSION.

C. J. BULLOCK: The financial aspects of the question before us should not be overlooked in this discussion. If we may judge from past experience, it is probable that all estimates of the probable cost of projected improvements absurdly underestimate the sums that will be required, and we may expect the ultimate outlay will be from 50 to 100 or even 200 per cent greater than the estimates. We may assume also, if past experience is to be a guide, that with desirable projects there will go a certain number of undesirable or questionable projects which must be included in order to secure needed support for the schemes. On these and other accounts, therefore, it is important to consider the question of expense. Some of the speakers this evening have advocated the plan of making the waterways free, and defraying the entire expense through the issue of bonds,—that is, ultimately by taxation. Tolls collected from those using the waterways are objected to as taxes upon commerce, but this does not dispose of the question. The additional outlay that the waterways will require must be provided for by some form of additional taxation, and it is not improbable that Congress would select taxes which fall upon commercial transactions and are open to precisely the same objection that is brought against the policy of charging tolls. It is further to be considered that, if the policy is adopted of making the improvements self-sustaining whenever possible, greater care will be exercised in authorizing projects, which would be a very desirable thing. From any point of view from which one looks at it, the proposal for inaugurating a comprehensive plan of improvements at the national ex-

pense needs most careful consideration before one gives his assent to it.

STUART DAGGETT: There are two matters which have received less attention in this discussion than I think they deserve. One of them is the question of the importance of terminals in rail and water transportation. The advantage to be sought from water lines lies in the relief from congestion at railroad terminals, not in the diversion of freight from railroad cross-country lines. In the fall of 1906 it was the inability of carriers to get cars through the relatively few miles of yards at Buffalo and at Chicago which injured produce dealers in the East, not their inability to provide trackage outside of those cities. The terminals limit the capacity of the average railroad, not the main line tracks. Now, if this be so, discussion of water transportation should dwell a little more, I think, on the probability of improved terminal accommodation, and a little less on the relative merits of river, canal, and railroad transportation in respect to cheapness and speed of haul where no terminal obstacles are to be overcome. Unfortunately the advantages of water transportation are less apparent when this is done. A canal as well as a railroad has to occupy terminals convenient to shippers, and these are probably as expensive when used for water as when used for rail carriage, if of equal goodness. To illustrate from a concrete case, the problem of providing facilities at the city of New York for the traffic of the enlarged Erie Canal will be one of the most serious which New York state will have to solve in connection with that enterprise.

The second point has to do with relative rates on canals and on railroads. Assuming that tolls are to be charged, and that waterways are to be operated by inde-

pendent companies of boatmen, it seems to me doubtful that the boatmen will be able to underbid the railroads, for the reason that on each shipment they will be obliged to charge a sum which will cover tolls plus cost of operation. This a railroad does not do. Low grade goods by rail pay only a part—sometimes not even that—of the tolls which they would normally be charged, and this is defended on well-known principles of rate-making. The total cost of operation of waterways may be less than that of railways, and yet the rates on low-grade commodities on railroads may be less than waterways can afford to ask. Like the matter of the importance of terminals, this point needs only to be mentioned, and yet it is very apt to be neglected.

THE BEST WAY TO WORK FOR TARIFF REVISION.

H. C. EMERY.

The object of this paper is not a discussion of the arguments for or against tariff reduction, but rather a consideration of certain practical methods for securing such reduction. I proceed on the assumption that whether we are protectionists or free traders in theory, we are agreed that the present tariff is not suitable to our present needs, and that some modification of it is desirable. It is, however, necessary to make a few preliminary observations in order that the point of view from which the practical suggestions are offered will be understood. I shall group such observations and suggestions in the form of nine statements which are not meant to be more than hints furnishing a basis of discussion.

1. The influence of the protective tariff in this country, whether for good or evil, has been greatly exaggerated. It has not been the chief cause of the economic prosperity of this country, not even the chief cause of its great industrial development. On the other hand I do not consider the tariff to have been the great evil which it has been thought to be by many pronounced free traders. In making this statement I am referring to the economic effects alone. The moral evils involved in the undue pressure of private interests on our law making body constitute to me far and away the most important indictment against the tariff, but there is no occasion for a discussion of such a problem in this paper. Economically the tariff has doubtless worked badly in many cases; a higher level of

prices has frequently prevailed and hardship has sometimes come to manufacturers because of the higher cost of raw material. But in other cases I incline to think the tariff has had a beneficial influence in helping toward the development of industries that were well worth developing; even if sometimes their development has led to a condition of monopoly, a condition in turn which may be considered desirable or undesirable, according to one's economic theories. Speaking for myself, I am by no means sure that the economic prosperity of this country would be greater at the present time if the free trade tendencies of the period before the Civil War had come to full fruition, and if we had lived under a tariff for revenue only in the last half century. If the tariff has not been a benefit, it has to my mind been a minor disease which the healthy body economic has been able to carry without great injury.

2. In any case we must recognize the fact that our industries have been built up during a period of protection, and therefore the practical question is not whether protection should have been adopted originally, but whether it should be abolished now, and if not, how far it should be modified. Few of us, I think, would go so far today as to agree with Henry George when he stated that to talk of tariff reform was as absurd as to talk of cholera reform, the only thing to do with either plague was to stamp it out at once. There are, of course, some free traders who still accept the naïve doctrine that "industry is limited by capital" in the extreme form of supposing that a given quantity of capital always results in a given quantity of industry, and, therefore, if capital cannot be employed profitably in one line of industry, it always automatically finds profitable employment in another. This of course involves the assumption that the industry of a

country cannot decay. Today, however, we recognize that the factors that bring about prosperity in the business world are much more complex than a mere enumeration of land, labor, and capital, in quantitative terms. Perhaps it is not too much to say that the psychological factors which determine the "spirit of enterprise", to use Hamilton's phrase, are as important as the physical factors. So far as we believe this, we are bound to recognize the necessity of caution in making radical changes in our commercial policy, and the danger of allowing theory to run away with common sense. If a certain line of industry really could not exist without the tariff, and has existed for a half century under it, he would be a rash man to put in control of public affairs who would follow the theory of free trade to the point of removing all protection to it at a single stroke. That is, for practical purposes, we are not likely to secure successful results if we start out with the assumption that all reductions are good at all times, and are good in proportion to the amount of reduction.

3. This involves evidently the necessity of studying carefully the effects of protection in each individual case and the probable effect of its removal. Such a conclusion is a hard one to arrive at because it involves well nigh insuperable difficulties. I certainly do not feel competent to speak, except in a most tentative way, regarding the effects of a single individual schedule of the present tariff, and it seems well nigh impossible to secure a body of men who can speak with authority regarding all of them. At the same time difficulties like this are inevitable in the case of the government of public affairs, and must be met with such intelligence as the public or its representatives possess. It is possible to suggest a few general principles to be kept in mind in such investigation.

The possible effects from a reduction of the duty on any particular commodity may be grouped under three heads:

a. Such a reduction may have no effect,—that is, the duty may have been nominal. The home market may be so completely controlled by the home producer that the competition from outside would have no effect upon prices or production at home. In this case, of course the duty, although it may be nominally very high, is really no economic injury to the community, except for the irritating effect which it has upon the sensibilities of free traders.

b. A reduction might have the effect of reducing the price of the article materially, while not seriously diminishing the amount of home production. That is, it might simply give to the consumer a portion of the high profits which had formerly been received by the manufacturer.

c. Such a reduction might have the opposite effect of reducing the price only slightly, but thereby so increasing the competition on the part of manufacturers who had been working on a low margin of profit that many of them would have to go out of business and the home production would be seriously curtailed. Evidently it is very difficult to determine which of these three effects would be found in any particular cases. But I venture to suggest that the general rule should be that, where the removal of a duty would mean a decided lowering of the price without any serious reduction in the extent of the home industry, such a duty should be removed. On the other hand, where a reduction of duty would seriously injure the home producer without giving a very material reduction in price to the consumer, the reformer should hesitate before advocating a change.

We may take steel rails for an example. Many tariff reformers seem to be decidedly convinced that steel rails

come under the second of these three cases; that the present price of \$28 per ton is made possible simply by the existence of the present duty of nearly \$7, and that the removal of that duty would mean a reduction in the price of steel rails to that extent; and, further, that this would simply mean a reduction of dividends on a large amount of watered stock, without really suspending the growth of the steel rail business in this country. On the other hand, some manufacturers would have us believe that they come under the third head; that the effect of removing the duty would be to seriously curtail the amount of home production, throwing a large amount of labor and capital out of employment. Without knowing much about it myself, I am rather inclined to think that the duty on steel rails comes under the first of the three heads; and that, although there might be a temporary reduction in the price, the home market is so completely in control of the great steel interests that in general they would be able to maintain not only the present amount of production but the present price policy pretty consistently, duty or no duty. It is undesirable to multiply examples here, but in order to make a little more clear the general principles which I have just suggested, I would suggest that raw wool evidently comes under class B, where the gain to the consumer from removing the duty altogether would be very much greater than the loss to the producer. On the other hand, I should think that the woollens schedule would have to be treated somewhat differently. I should not want to be taken as an advocate of the present high duties on woolen goods, but I should imagine that a moderate degree of protection would still be necessary and that a complete removal of such duties would cause more harm than good.

4. Let us recognize that the argument against protec-

tion based upon the consumers' interests has been proved historically a failure. For some reason, and that I think a pretty natural one psychologically, men in the business world, whether in the position of employer or employed, are far more concerned with their interests as producers than their interests as consumers. So long as the income is large, men don't worry so much about the outgo, and manufacturers will advocate a policy which gives them good prices on a large product rather than a policy which compensates for a fall in such prices by a fall in the cost of their materials. The working man pretty much everywhere will vote for the policy which he thinks will give him high money wages. Wherever the free trade movement has been in any large degree successful, it has been, I think, due to the fact that the movement has appealed to the interest of producers. The English free traders grew pretty hopeless in the task of convincing the English workingman that his interests as a consumer of bread were injured by the Corn Laws; and the real force behind the abolition of protection in England was as much the powerful class interests of the manufacturers as it was the philosophy of Adam Smith, or a public-spirited desire to relieve the public of high prices for food. Adam Smith said in the eighth chapter of his fourth book, that the error of mercantilism had been that it considered the interests of producers to the exclusion of the interest of consumers. His claim was that, since all production is but a means to the end of satisfying the needs of production, public policy should be guided solely with an eye to the interest of the consumer.

This is good economic philosophy but it is bad psychology, because in the modern business world men have really forgotten that they produce in order to consume, and look on the selling of goods in the market as the object

of life, the selling of as many goods at as high prices as possible. It may be said that this is a narrow view, and that the business of those who know better is to educate the public to see that their interests as consumers is more vital. For myself, it seems to me that a century and a half of such teaching has accomplished so little that it is hardly worth while to wait another century and a half before attempting to secure some practical results. Is it not more sensible to accept the fact as it is and shape our course accordingly?

5. When the interest of producers demands reduction in the amount of protection, then such reduction becomes a possibility. This is because in the first place, as already indicated, these interests seem more vital to men than their interests as consumers, and, secondly, because producers are commonly much better organized. A powerful group interest now appears in the arena, capable of making its influence felt; and, when this happens, concrete results may be expected. This interest of the producers in tariff reduction may appear in the form of a demand for free raw materials, although this is not likely to become of great importance, for the reasons just suggested. It may come, however, not from their desire to be able to buy more cheaply, but from their desire to sell a larger product,—that is, their desire to secure foreign markets. In proportion as the manufacturer becomes more and more dependent upon a foreign market for the disposal of his output, he becomes more strongly inclined towards a commercial policy which will secure to him the greatest concessions possible in these foreign markets, in which case he may be more ready to advocate similar concessions on our own part. This I think may be said to be a very general experience throughout the world. The movement for tariff reduction, whether by statute or by com-

mercial treaty, has been very largely in response to the interests of exporting manufacturers.

6. This is where the chief encouragement comes for the reduction of the tariff in this country today. We have most of us got beyond the point of making any predictions in tariff matters, and the present hopes may be met with the same disheartening results which have been met in the past, when a supposed movement of tariff reform has ended in increased rather than decreased protection. Still there does seem to be not only a genuine agitation for tariff revision at the present time, but a very different kind of agitation from that of twenty years ago, the difference lying in this very fact, that the demand comes, now, much more from the producing interests. It is certainly significant that the National Association of Manufacturers should declare in favor of tariff reduction. In many fields, the home manufacturer feels that the home market has been pretty completely secured. He is now not so much afraid of the competition of the foreigner in his own market as he is eager to compete with the foreigner in neutral markets; and, in proportion as his eye turns to the foreign market, his heart feels a change on the matter of high protection. In the case of most of the leading manufactures, the proportion of imports to the home product is decidedly small, while in some cases our exports are already greatly in excess of our imports. These men can make themselves felt much more effectively than any disinterested person advocating the principles of free trade as beneficial to the public at large. If any reduction is to be brought about, it must be by all those who favor it pulling together, and not working at cross purposes. I think then it behooves a body of students and scholars to coöperate as heartily as possible with those who work towards the same end, even

if they are working on a different theory or from a different motive. If the manufacturers who are now demanding some modification of the tariff have a false theory of international trade, I am not much concerned with that fact. If they are working for their own interest purely, rather than for the interest of the public, I should not worry over that. If I felt that they were really bringing a pressure to bear which would secure the desired end, I should be inclined to aid their efforts as far as possible. It has been suggested to me that this is a cynical attitude to take, but it does not seem so to me. Most important reforms are a result of the coöperation of interests which are not all based on the same intellectual or moral premises, and to refuse to work toward a common purpose save on an identical intellectual theory, or with the same moral purpose, seems to me too visionary an attitude to take toward the practical problems of public affairs.

7. If some modification of the tariff can be brought about by such coöperation, what plan of reduction shall be advocated? It might be said that the way to reduce is to reduce, and that the thing to advocate is a new tariff act with more moderate rates. This, however, it seems to me, misses the point of the importance of the producers' interests. To a considerable extent the men who are agitating in favor of revision are not so much concerned with the reduction of our tariff as the reduction in the tariff of other countries. It is not because they want to buy materials cheaper, but because they want to sell a large quantity of goods, that they are interested in this movement. If so, the mere reduction of duties at home by the ordinary method of a general tariff act would make a far less effective appeal to them. On the other hand, the adoption of a commercial policy by which restrictions in other markets

upon our goods would be removed, would unite the interests both of those who advocate revision for this purpose only, and those who advocate revision on general free trade principles for the consumers' interests. It is a strange thing that in this country reciprocity has frequently been looked upon as part of the free trader's theory and program, while really in every other country, and over a period of centuries, reciprocity treaties have been an essential part of the protectionist policy, and have been on the whole the scorn of the free trader. It will be recalled that the extreme free traders in England bitterly opposed the Cobden Treaty of 1860 because it was opposed to their fundamental principles. To negotiate and make mutual concessions was a part of protectionism, while the theory of free trade demanded one-sided abolition of duties by England alone. Furthermore, we have unfortunately in this country tended to substitute for real reciprocity a policy of retaliation. The McKinley bill was supposed to include a reciprocity clause, but it was a clause which simply empowered the President to add duties to articles then on the free list, and made no provision for reduction. If anything effective is to be secured, it must involve a change of attitude and a recognition that the only way to secure concessions is to make genuine concessions in turn.

It is not possible to go into any lengthy discussion here of the two rival methods, the double tariff and the treaty or conventional tariff. One important objection to the idea of the double tariff in its ordinary form arises from this very spirit of retaliation which is so prevalent among our law makers. The Republican declaration in favor of a double tariff probably means a minimum tariff based upon the present tariff law, and the maximum tariff of high rates to be used as a club

to force concessions from other countries. The question is whether we wish to use the big stick in commercial matters and irritate everybody with whom we have dealings, or whether it is wiser to adopt a policy of reasonableness in such matters and to recognize that we cannot expect to take everything and give nothing. For the securing of such a general policy, the scheme of commercial treaties seems to be more desirable, besides being much more flexible in meeting particular situations, than the double tariff system. Mr. Stone and others have discussed the advantages and disadvantages of the two methods fully and clearly, and the objections which have been brought against the commercial treaty method are of course of great weight. Unquestionably we could not adopt the German method outright. Treaties that become of the nature of new legislation regarding tariff rates, requiring the approval not only of the Senate but of the House as well, are practically impossible. We have certainly had experience enough to realize the impracticability of any satisfactory negotiations on such lines. I have wondered, however, if a combination of the two methods would not be possible by a general extension of the clause of the Dingley act, under which we now have agreements with several countries. Suppose an act could be passed authorizing the administration to enter into tariff agreements with other countries, under which duties might be reduced on any ware by the amount of 30 per cent in response to concessions from the other countries. The new scale of duties would already have been fixed by a statute and would not require further action by Congress; and yet all the advantages of adjusting the reductions to the problem of each particular country would be secured. Furthermore, there would not be multiplicity of rates, since in any case

there could not be more than two rates on the same commodity.

8. The American interpretation of the most favored nation clause would particularly favor the reduction of tariff by means of commercial treaties. If reduction had to be universal for the imports of all countries, it would be much more difficult probably to secure a reduction in any case. Where reduction can be made simply on the goods of a single country, nothing is lost in the matter of securing concessions abroad, while the opposition of home manufacturers would probably be much less; and, were a few such experiments tried, it is not unlikely that the evil results to the home manufacturer would prove so unimportant that further expansion of the policy would become more and more easy.

9. The question may be asked how far such a policy is likely to be successful in really securing concessions abroad, and how far these concessions are of any value. I think experience already has proved that very much could be gained in both these regards. Certainly our recent relations with Germany prove that it would be easy to secure concessions from other countries. The subject of our relations with Germany is not one, I think, on which the American with any generous feeling cares to dwell. But the fact that despite our aggressive attitude we have been able to secure the treaty rates on products of vital importance to our export trade in return for a concession of the most ridiculous inadequacy on our part, shows what might be accomplished by a broader policy. The German government was able to save its pride by means of the agreement under which we have reduced by 20 per cent the duty on four or five unimportant articles of import. It may be said that if we can get so much and give so little we should continue the policy, and that there

is no reason for advocating further reductions on the mere theory of reciprocity if we can get what we want without it. But it is not to be supposed that the nations of Europe are going to rest permanently contented with any such arrangement. Already our export trade is hampered in some important regards by the higher rates which it has to meet, and there is grave danger that if some concession is not made, such a country as Germany will face even the danger of a tariff war with us rather than to permanently give us the rates of the conventional tariff. It is not enough to say that other countries are much more dependent on us than we on them, and that we can hurt them more than they can hurt us. That may be true. It does not follow from that, however, that we should adopt the attitude of a certain prominent congressman, who always replied to every suggestion of an advance in foreign rates by advocating additional duties here. It may be possible that a bigger boy can lick a smaller boy, but it does not necessarily follow that it is to the advantage of the bigger boy to do so. The injury of the smaller boy can't be any direct benefit to him, and he may get some serious scratches himself. That we may be absolutely indifferent to rates put on American products abroad, seems to me a form of blindness of which almost nobody but a congressman is capable. The higher rates of the regular German tariff would seriously handicap the agricultural interests of this country in competition with countries enjoying treaty rates. A difference of 10 cents a bushel on wheat, to take a single illustration, is not to be looked on lightly. Similarly the growth of our exports of machinery, and dozens of other kinds of manufactures, may depend largely in the future on the character of the policy of other countries, and this policy may depend in turn on the extent to which a liberal policy of mutual concessions may be encouraged here.

The upshot of these suggestions is that for the practical object of tariff revision we should all get together; hence recognize and coöperate with the producing interests; hence suspend for the moment the propaganda in favor of tariff for revenue only based on the general free trade philosophy in favor of an agitation for reciprocity based on the gain to be derived by our exporting interests from concessions made abroad.

DUAL TARIFF SYSTEMS.

N. I. STONE.

The coming tariff revision which is at present claiming the undivided attention of the Ways and Means Committee, and is awaited by the business world with some degree of anxiety, has been undertaken with the object not only to adjust our rates of duty, but to bring our tariff policy in line with that of the principal foreign nations. Hence the demand for a dual tariff. Hence also the definite commitment of the national platform of the Republican party, of the Speaker of the House of Representatives, and of the Chairman of the Ways and Means Committee to a maximum and minimum tariff.

But while the country seems to have made up its mind on the subject of a dual tariff, there does not seem to be as much clearness as to the kind of a dual tariff we are to have. European experience in this regard becomes a legitimate object of interest to us, since it is principally those nations that we will have to deal with in our new tariff policy. Shall we have a conventional tariff system, fashioned after the German pattern, or shall we follow the French system of a general and minimum tariff (for some reason misnamed "maximum and minimum" in this country)? In the former case Congress would have but one tariff to enact, leaving to the Executive the negotiation of reciprocity treaties by which the rates adopted by Congress would be reduced in return for reciprocal concessions by foreign countries—a procedure not unknown in American tariff history. In the latter, Congress would adopt two sets of rates, leaving to the Executive the

application of the minimum rates to those foreign countries which in his opinion offer sufficient reciprocal concessions, but leaving no discretion to the Executive as to what the minimum rates shall be. Each system has its own advantages and its success depends on conditions, economic and political, prevailing in the country adopting it.

Of the two types of dual tariffs worked out by Europe, the conventional counts among its adherents Germany, Austria-Hungary, Russia, Italy, Switzerland, Belgium, Portugal, Roumania, Servia, Bulgaria, and last but not least Japan. The maximum and minimum is today in operation in France, Spain, Greece and Norway, the latter applying the system in a modified form which will be described later.

It will thus be seen that the conventional system has a larger number of adherents among the nations of the world than the maximum and minimum. Moreover, the latter is losing ground both as regards the countries in which it is applied and as to the manner of its application. Russia, after finding herself embroiled in a tariff war owing to the rigidity of the maximum and minimum tariff, has abandoned it for the conventional system. Neither France nor Spain has been able to escape tariff wars for the same reason, and France, like Russia, was compelled to reduce her minimum tariff below the rates laid down by parliament in order to put an end to those wars. Greece has managed to steer clear of hostilities by profiting by the examples of the nations just mentioned, and conceding reductions of rates below those authorized in her minimum tariff. In other words, the fundamental principle underlying the maximum and minimum system, that of autonomous determination of the minimum rates

by the legislative body, had to be abandoned in most cases by the nations which have adopted it. Norway alone has furnished a conspicuous exception among the latter, her success being due to the fact that her minimum tariff is so low that no foreign nation could possibly find fault with it. Moreover, Norway, unlike France and Spain, does not negotiate any tariff treaties and does not ask for any special concessions other than that her goods be admitted at the lowest rates applicable to other nations. In return she uniformly applies her minimum tariff to all, reserving the maximum for countries which might discriminate against her. The case of Norway has a particular interest for us, as will appear when we come to discuss our most favored nation policy.

So much for the working of the so-called maximum and minimum tariff. Now, let us consider the conventional. The legislative body adopts a single tariff and authorizes the executive to negotiate treaties with foreign nations, by which reductions from the rates adopted by parliament are granted in return for reciprocal concessions by foreign countries. As each nation naturally tries to secure concessions on the products in which it is particularly interested, and as not all of them are equally aggressive or successful in obtaining concessions, the minimum or conventional rates granted to the various nations by one country are found to differ so much that, were each set of duties to be applied to the products of the respective nations, the country would have as many tariffs as there were treaties negotiated by it. Such complexity and confusion is prevented by the application of the most favored nation principle interpreted in the broad liberal spirit evolved by European practice.

The conclusion of a number of reciprocal treaties or conventions results, therefore, in the formation of a single

conventional tariff consisting of the lowest rates granted in any of those treaties and applied uniformly to all foreign countries entitled to favored nation treatment.

Time limitation will preclude detailed consideration of the merits of each system, which can only be summed up briefly.

Granting that the object of a dual tariff is to secure for the domestic products as high protective rates as possible within the limits laid down by the legislature, while forcing the tariff gates of the nation you negotiate with as far ajar as you can, the conventional tariff system has certain advantages which are responsible for its growing popularity among the principal nations of the world. With no minimum rates fixed in advance, there is more room for bargaining on either side and for coming to a mutually satisfactory agreement by a series of give and take steps. At the same time each side feels it has a strategic advantage in not being obliged to disclose all of its cards at the outset. But whatever weight one may attach to considerations of elasticity and strategy, which are more apparent to the diplomat than the people at large, there is a very important economic consideration which so largely accounts for the popularity of the conventional system, and that is the stability it ensures the business world. Nearly all of the German treaties have been concluded for a period of twelve years. This means that during that period the German business man is absolutely certain that he is safe from unpleasant surprises in the way of sudden tariff changes affecting either his raw materials or finished products at home or in the countries with which reciprocity treaties have been concluded. Under those conditions there is greater disposition to make large investments in plants which can yield profitable returns only over a long series of years.

Under the French system, which jealously guards the principle of autonomy in determining minimum rates and of freedom to change them at will with a view solely to national needs, the minimum rates are not as a rule fixed in the treaties beyond the possibility of change, the only guarantee given to the contracting countries being that they are to have the benefit of the minimum rates, whatever they may be. Since the enactment of the French general and minimum tariff of 1892, which is still in force, there have been no less than 348 modifications of tariff rates.¹ During the corresponding period there were practically no changes in the German tariff aside, of course, from the great tariff revision which took place in 1906. The French attach more value to their freedom to change rates at will; the Germans and most of the other European nations seem to be willing to forego this right for the stability in business conditions which the binding of rates by treaty secures to them. They also bear in mind that reserving the right to alter rates implies like privileges for other nations which if exercised by all would render nugatory all reciprocity treaties and defeat the very object for which they are concluded.

But in considering the adaptability of the system to the United States we must not lose sight of the marked constitutional differences which affect legislation here and in European countries. In Europe the executive branch of the government participates to a large extent in the work of legislation. In Germany where conventional tariff making has been worked out to a greater degree of perfection than elsewhere, there is a kind of business parliament, or semi-official body composed of the representatives of the leading industrial, commercial, and agricul-

¹ "Politique Douanière et Prosperité Industrielle", par Germain Paturel, in the fortnightly *L'Expansion Commerciale*, Nov. 16, 1908, p. 675.

tural bodies, recognized by the government and shaping the tariff from its incipient stages until it reaches parliament in the shape of a perfected bill, where it is introduced by the government itself. The rates are purposely fixed higher than is thought either necessary or desirable from the protectionist standpoint, with the view of being bargained off for reciprocal concessions from foreign countries. The cabinet ministers being at the same time the most influential members of parliament, the legislative branch in European countries has a more live appreciation of the executive service, with the result that the departments have at their disposal the services of well trained experts, practically all university graduates, men of a type that are not attracted to the same extent to departmental work in Washington. After the bill has been enacted, a commission is appointed for the negotiation of reciprocity treaties composed of the government experts, some chosen for their special knowledge of the conditions of the country with which a reciprocal treaty is to be negotiated, others for their mastery of the legal questions involved, still others for their expert knowledge of the tariffs of either country, etc. To cite an instance: in the negotiations for the commercial agreement now in force between Germany and the United States, the former was represented by ten experts from the following government departments; the commercial, political and consular divisions of the Foreign Office; the Imperial Treasury Department; the Department of Commerce in the Ministry of the Interior; the Prussian Ministries of Finance, of Commerce, and of Agriculture.

Before taking up negotiations with the representatives of a foreign power, the commission of government experts meets the semi-official commission of business men

which was mentioned before, from which it learns the views and wishes of the business community and receives its final instructions from the government, which, it must not be forgotten, consists of the leading members of the dominant party or parties in parliament. The result of such a combination is that the government has no difficulty in getting the treaty, negotiated on these lines, ratified by parliament.

In the United States this elaborate machinery is not only absent, but for constitutional and other reasons could not be built up. Furthermore, tariff revision in the United States is usually the result of public agitation which can be satisfied only in one way, namely, by the enactment of rates thought just or wise. If Congress were to adopt a single tariff on the German plan, it would have the alternative of enacting rates avowedly higher than those thought necessary by the people and thus violating its ante-election pledges, or of fixing the rates at a point from which no concessions could be made by the executive in reciprocal treaties with any chance of their being ratified by Congress. After the treaties reached Congress there would be a natural disposition to view with a jealous eye the many changes wrought by executive action in the rates since adopted. Added to these difficulties would be those of a purely constitutional character. In Europe a simple majority of votes in parliament in favor of a treaty is sufficient to ratify it. In the United States a reciprocity treaty would require in the first instance action by both branches of Congress, since only the House is vested with authority to initiate legislation affecting revenue; and in the second place would require a majority of not less than two-thirds of the votes in the Senate to be ratified. Under these con-

ditions it would be quite easy for a determined minority to defeat a reciprocity treaty. What these difficulties mean is attested by past experience. In the entire history of the German Empire, during which numerous commercial treaties have been negotiated, there is not one case on record of a rejected treaty. In the United States not a single treaty was ratified by the Congress which authorized their recognition under section 4 of the Dingley act, and other reciprocity treaties negotiated have failed of ratification.

Past experience and considerations of mere expediency seem to point, therefore, to the maximum and minimum tariff as a more practical and safer policy for this country to follow. With both the maximum and minimum rates adopted by Congress, in the first instance there would be no necessity of submitting the treaties to the House. In the Senate, too, less opposition would be likely to assert itself, for the same reason. Moreover, if the precedent established in section 3 of the McKinley and Dingley acts were to be followed in shaping our new tariff policy, it would be possible to do away with the ratification of reciprocal agreements by the Senate without the surrender on the part of Congress of its prerogative of fixing tariff rates. With the exception of Cuba, practically all the tariff benefits which the United States enjoys today in foreign countries are due to the reciprocal agreements concluded by the executive without ratification by the Senate, by virtue of the authority vested in him by section 3 of the tariff act and on the basis of reductions of duty on the extremely limited number of articles comprising wines, liquors, paintings, and statuary. Here again past experience points the way to still greater achievements when Congress will substitute a large list of minimum rates for the few sanctioned so far.

Most Favored Nation Treatment.

No consideration of the dual tariff system can be complete without a reference, at least, to the most favored nation principle. As has been pointed out, the most favored nation clause, as interpreted and applied by European nations, forms part and parcel of their conventional tariff system. Briefly stated, it implies the immediate, unconditional and gratuitous extension to all countries entitled to most favored nation treatment of every reduction in rates of duty granted by one country to another, whether by treaty, legislative enactment, or in any other manner. Today the United States stands out as a conspicuous exception among the great nations of the world in the interpretation of one of the most important principles of international law. With but few exceptions, the government of the United States has clung to the original and unique construction of the most favored nation clause in our treaties with foreign countries, under which concessions granted to one nation in return for reciprocal advantages are not extended to most favored nations except for similar returns.

The application of this principle in connection with the adoption of a comprehensive system of reciprocity, such as has never been attempted in the history of this country, would bring in its train many consequences, among which two claim present attention.

In the first place it would make our tariff system so complex that instead of a dual tariff we might have as many tariffs as there were treaties in force. If nation A obtained a reduction of duty of say 10 per cent upon silk goods, and nation B in a treaty subsequently negotiated managed, by means of concessions more valuable to us, to secure a reduction of 20 per cent of the same duty, we should in the first place have three tariffs on

silk: the general tariff adopted by Congress, the tariff applicable to nation A, and that applicable to nation B. With the same principle applied to our treaties with all other nations and all the other products which might be covered by the treaties, there would be a sufficient assortment of rates to please the taste of the most fastidious lover of variety.

The second consequence to be considered is that no foreign nation would care to negotiate a treaty whose advantages might be made nugatory or worse by greater advantages subsequently granted to a rival nation. The only way in which it could secure the additional concessions under our construction of the most favored nation principle would be by negotiating a supplemental treaty based on new concessions which it might not be able to grant after it had exhausted the list of concessions in the first treaty. The system would be fraught with possibilities of constant surprises and resultant disturbances unsettling business conditions throughout the world. The only way out of that impossible situation under the conventional tariff system would lie in the adoption of the European interpretation of the most favored nation clause.

As a matter of fact, we were obliged to make that departure in the first experience we had with the dual tariff. The unratified treaty between the United States and France negotiated by Mr. Kasson in 1899 on the basis of section 4 of the Dingley act which provides for minimum rates not to exceed 20 per cent reduction from the regular duties, stipulated that should the United States grant reductions of duty to another country below those granted to France on the articles covered by that treaty, such lower rates were to be "applied of right and without delay to the like articles" of France. The same reserva-

tion was made with regard to sparkling wines and woolen goods, neither of which was given special rates under the treaty.²

The provision of Article III just cited points the way the United States will probably enter upon should the dual tariff with the concomitant system of reciprocal treaties become the settled policy of the country. The principle, if uniformly adopted in all of our reciprocity treaties, would have the advantage of removing the one serious obstacle to broad, comprehensive reciprocity treaties with the United States from the European point of view, while securing to American products the benefits of the broad European interpretation of the most favored nation principle, which is now denied to us in some countries as a sequence of our own attitude on the subject.

There is another way of making the minimum rates uniform to all reciprocating nations, which would not require the least departure from our most favored nation policy. It is the policy of Norway alluded to in this paper, and it seems to find favor in congressional circles. Instead of making the maximum tariff the basic or general tariff from which reductions would be traded off for reciprocal concessions, the congressional idea is to make the minimum tariff generally applicable to all nations granting their minimum rates to us, and keeping the maximum tariff in reserve as a retaliatory measure for countries which make any tariff discriminations against American products. This system has all the advantages of simplicity, as it would reduce negotiations with foreign nations to a minimum and would do away with the necessity of formal treaties and the reopening of the dis-

² Art. III of the Convention between the United States and France. Senate Document No. 22, 56th Congress, 1st Session. December 6, 1899.

cussion of the troublesome and vexing most favored nation problem.

However, there are two serious objections to it. The first and important objection is from the point of view of American interests. The automatic application of the minimum rates to countries likewise applying their minimum rates to the United States, while effectively protecting American products against discrimination, would preclude the possibility of negotiation for special concessions on American products. Yet, with the skillful art of tariff making, several European nations have contrived to hit distinctly American products with high rates of duty for the very purpose of forcing concessions from this country. As no other nation but ourselves is interested in those products, there are no minimum or conventional rates in force to cover them, and none can be secured except by negotiation of reciprocity treaties looking to that end.

The second objection is from the foreign point of view, but is just as vital, since it takes two parties to make a dual tariff work successfully. It lies in the danger of our minimum rates being fixed too high to be considered as a reciprocal return by foreign nations for their own minimum tariff. In the Norwegian tariff this has not been the case, the rates being very low. Failure on the part of any of the great nations to accept our minimum tariff in return for theirs, would, under the system proposed, leave no alternative to the executive but the application of the maximum tariff with consequent tariff reprisals on either side, such as we have seen in the case of France and Spain.

The choice seems to be, therefore, in favor of a maximum and minimum tariff on the lines laid down in section 3 of the Dingley act, but with the minimum rates to cover

the greater part of the tariff instead of the few articles of wines, spirits, and paintings to which that section now applies. This section gives the executive the power to negotiate reciprocity treaties on the basis of the minimum rates authorized by Congress, without requiring the submission of the treaties to the Senate for ratification. The system combines the advantages of securing to the legislative branch complete control over the tariff rates, both maximum and minimum; insuring flexibility in leaving to the discretion of the executive the determination of what is an equivalent concession on the other side, and inspiring confidence in the foreign nations that the treaty once negotiated will be actually put into force. Finally, it has the advantage of having stood the test of practical experience, since, in spite of its circumscribed scope it has been the instrument for securing to the United States the enjoyment of minimum rates in most of the countries of Europe.

TARIFF REVISION AND FOREIGN MARKETS.

SIMON LITMAN.

This paper deals primarily with the relation between our tariff and the foreign markets, incidentally considering our command of raw materials and the position of the domestic consumer. Under "foreign markets" I understand not only markets for the sale, but also markets for the purchase of goods, and under domestic consumer not only the final consumer, but also the consumer of raw and half finished commodities.

Statistics attest the remarkable growth of our foreign commerce; but a close study of our exports and imports reveals the fact that the development, however phenomenal, has been but incidental to the marvelous expansion of our domestic trade and to the exploitation of our mines, forests, and fields. Our exports consist mostly of breadstuffs and foodstuffs, either in crude condition or partly manufactured, and of raw and semi-finished materials of commerce; our imports, whether intended for further use in manufactures, or whether ready for immediate consumption, are largely goods to supply the needs and the wants of the well-to-do and the rich. This commerce grew up notwithstanding the many objectionable features of our present tariff, and without any serious effort to further it on the part of the people in the United States. The empty storehouses of Europe were compelled to replenish themselves from our wheat fields, and their mills and factories sought the products of our cotton plantations and our copper mines because of the large profits on their original investments.

The United States, the greatest manufacturing nation

in the world, supplies at present but a small fraction (not more than $12\frac{1}{2}$ per cent) of manufactures entering into international trade. Taking the last fiscal year (1908), we find that out of a total value of exports equal to \$1,834,786,000, we exported but \$488, 458,000 of manufactured articles. This output of manufactures abroad represented largely the overflow of goods intended for home consumption; they were offered in the foreign markets at low prices because of the lack of demand at home.

Such conditions cannot last. Our export of breadstuffs and foodstuffs will necessarily decrease because of the rapidly growing population in the Union, and because of the fact that the area available for tillage, barring the land that is being opened by artificial irrigation, has been occupied. On the other hand, our industrial development has assumed such proportions that a part of the capital, the energy, and the laboring forces of the land must be directed toward production of goods for export.

We can occasionally dump the foreign markets and justify it on the ground that it relieves the pressure of overproduction at home. But dumping cannot be made a permanent feature of our industry and commerce. Foreign countries will not permit dumping because of its effect upon their national industries, and our own people will not submit to it without protest. One of the essential features of dumping is sales abroad at lower prices than at home; however patient and uncomplaining our consumers are, they will not tolerate indefinitely such discrimination in favor of foreigners.

The paramount question arises, whether or not we have manufacturers who can produce at such cost as to be able to sell at home and abroad as cheaply as their foreign competitors. If not, our industrial development will receive a severe check. We can protect our manufacturers at

home, but unless other reliable and expanding markets, in addition to our own, are found for the increasing output of our mills and factories, we shall every year be in greater danger of overproduction and stagnation, and periods of depression and readjustment will be more frequent and more lasting. It is true that our domestic market, considering the consuming capacity of our population, is the largest in the world. But our productive activity in many directions has outgrown this market. What we need is a solid and broad foundation which the command over the world's markets alone can give us.

Are we to believe those who clamor that high protective duties on every commodity produced in this country are a necessary requisite of our industrial progress, nay of our very existence as a prosperous nation? If we do, then we may as well give up our search for foreign markets; we may throw into the waste-basket all the advice of our consuls and other representatives of the Department of Commerce and Labor, who try to impress us with the necessity for proper packing and advertising, for studying the peculiar needs and tastes of the foreigners, etc. Of what value is this advice, if it is true, that the English and the German manufacturers produce with less cost than we? How can we compete with them in their own and in the neutral markets of Asia, Africa, and South America, if we need the high wall of protection at home?

Is it not an insult to the intelligence of the American consumer, this printing of special, of daily, and of monthly reports, telling manufacturers how to gain foreign trade, when at the same time it is contended that without high protective duties our industries are doomed to ruin or the wages of our laborers threatened with such sharp reductions as to degrade the standard of living?

What this standard of living is in many an industrial community in the United States has been brought out so forcefully in our discussion of "Modern Industry and Family Life", that I need not dwell on the subject.

Fortunately for the country, many of the existing duties can be reduced and even removed without imperilling the position of our laborers and of our capitalists. A certain dislocation of industry will necessarily take place, since the larger the amount of commodities exported and the greater their value the greater also will be the value of imports; but with a tariff properly constructed, a tariff which is not an outcome of theories, suppositions, likes, dislikes, interests of individual manufacturers and congressmen, a tariff which is based upon a careful study of facts and a grasp of conditions, this dislocation will be easily adjusted. This dislocation is certainly not to be apprehended as much as the condition into which we are drifting with our single, straight-out, highly protective tariff, which, it is true, shuts out the goods of other countries, but which at the same time shuts in our own products.

Many people are willing to concede that because of our "surplus" we need access to foreign markets, and they advocate the extension of our foreign trade; but when it is brought home to them that selling without buying is impossible, and where it is possible is undesirable, they raise objections to the surrender of even the smallest part of the domestic market. The domestic consumer appears to be a precious heirloom of our manufacturers.

Considering some of the changes which should be introduced into our tariff, we may say that they should be of such nature as to facilitate the export of highly finished articles and to permit the import of raw materials and of all commodities for which we are compelled to pay

monopoly prices. The opportunity to import freely raw materials will be of great value to us for many reasons. It will enable us to draw upon the vast resources of eastern Asia, Central and South America, and Canada, retarding the time of the exhaustion of our own natural resources and decreasing the cost of materials used in factories. As the matter stands at present, it seems as if our government, by placing duties on iron ore, coal, lumber, etc., encourages their ruthless exploitation. Mr. Pierce, in his book *The Tariff and the Trusts*, says justly: "The Dominion of Canada has an unbroken stretch of white pine and spruce extending from the east of Labrador to the Pacific Ocean. But our great statesmen stimulate the destruction of the American forests by protection of lumber and wood-pulp and hasten the day when the last white pine tree shall be cut and the last spruce tree be ground into pulp."

And the Canadian timber is not the only timber we could import but for the "protective" duty. Mexico, Central American and South American Republics have abundant supplies. Mr. Pierce also most wisely calls our attention to another fact. While the industries of New England are languishing because of lack of sufficient deposits of iron and coal, close by in Nova Scotia and other Canadian provinces are vast supplies of both iron and coal easily accessible from the seashore.

Why do we exclude these materials? According to the findings of the national conservation commission, the known supplies of high-grade ores in the United States, at the present rate of consumption, cannot be expected to last more than thirty or forty years, and our available and easily accessible supplies of coal will be so depleted as to approach exhaustion before the middle of the next century.

There may be no cause for alarm, but that the question is of more than academic interest is manifest from the declaration of Mr. Gary, chairman of the directors of the United States Steel Corporation, before the House ways and means committee. In his testimony, he said that the cost of producing pig iron has been increasing all the time, because of the necessity to resort to poorer and poorer qualities of ores. Now, if this is true, why not reduce our duties on iron ore and other raw materials? These reductions may be used to further our commercial interests with the neighbors to the north and to the south of us.

A freer importation of raw materials will also bring to many of our manufacturers of finished articles a greater variety of commodities to choose from. At present, they must necessarily use domestic products and pay high prices for them. I refer particularly to those manufacturers who are not in the combines, who do not belong in the class of large self-contained concerns and who consequently have no control over the sources of supply of raw materials.

That the interests of these dependent manufacturers are hindered has been admitted, in the case of the iron and steel industry, by Mr. Gary, who stated that the United States Steel Corporation can produce iron and steel cheaper than most of its competitors because the corporation has a decided advantage in the quality and quantity of ore at its disposal; other advantages being the cheapness of equipment and the control over the lines of transportation.

Whether the reduction of duties on raw and semi-manufactured materials of commerce alone will benefit the final consumer is not within the domain of this paper to discuss; we may state that should the control over the

elaborative processes be in the hands of a monopoly, the sole beneficiary of reduced duties will be the monopolist manufacturer. However, the manufacturing of finished articles with an open market for obtaining supplies of raw materials does not lend itself easily to monopoly, and there is hardly a doubt that the reduction of duties on raw materials will lead to a reduction of prices on finished commodities.

One of the greatest drawbacks of our existing tariff is the uncertainty of many of its provisions, which frequently leave the importer in darkness as to the amount of duties to be paid. If the intention of our legislators was to check the development of our foreign trade relations far in excess of even the highest imaginable duties, then they certainly deserve all the praise that one can give them for having attained their object. Nothing hampers modern commerce as much as uncertainty. Our tariff classification based upon the manufacturing achievements of a generation ago, the many decisions of our appraisers and our courts (exceeding 300,000), the bewilderingly incongruous array of commodities gathered under one rate of duty, commodities that have nothing in common with each other, except the fact that they came under the vigilant eyes of our customs house appraisers, all tend to confusion.

We may ask with Senator Beveridge,¹—"Is there any logic in classing buttons and stoves together? Is there any connection between carriages and dress trimmings? Why should cannon for war and crosses for churches be put in the same class?" Yet all these and many others are in the same classification and pay the same duty.

¹ See his article on "Permanent Tariff Commission" in the *Annals of the American Academy of Polit. and Soc. Science* for Sept., 1908.

Mr. Harold Bolce, in his book on *The New Internationalism*, wonders why a mare's colt is classified as household furniture, soy beans of Japan as sweetmeats, and frogs' legs as poultry. In the criticism of the present classification I should draw the line at frogs' legs; in my opinion, the appraiser who placed frogs' legs in the same class as poultry knew his business. He has shown us the way to a proper, scientific, up-to-date, business-like classification, a classification which considers rather the use to which the article is subjected than the material out of which it is made or the kingdom (vegetable, animal, or mineral) to which it belongs.

A scientific tariff classification which would do away with the necessity for resorting to guesses because of the ambiguity of its statements or because of the great latitude that it leaves for its interpretation, a classification which would decrease the number of contests between the government and the importers, costing both parties large sums of money and creating a great deal of bad blood, a correct classification, which would provide carefully drawn schedules, clearly differentiating between various commodities and permitting an accurate affixing of duty to each commodity, such a classification would help our foreign trade immensely. At present, our import trade is confused and uncertain, and an uncertain import trade has necessarily a disturbing effect upon exports.

The drafting of a proper classification requires time, intelligence, and knowledge; it calls for investigations by experts, for a minute study of every phase of every industry that enters into international trade, for a searching inquiry into the bearings of our own and of the tariffs of other countries upon production and distribution of commodities.

A proper classification will permit us to change most of our *ad valorem* and compound duties for specific ones, without subjecting coarser and cheaper grades to a proportionally higher taxation than finer, more expensive articles, thus doing away with the only valid objection against specific duties. The change will bring greater simplicity into our relation with importers and greater speed into our handling of goods at the frontier; it will put a stop to the temptation of undervaluing merchandise and will make unnecessary a number of "unjustifiable practices that have grown up in our customs administration, notably the practice of determining values of imports upon detective reports, never disclosed to persons whose interests are affected."²

The temporary agreement between the United States and Germany, the provisions of which have since been extended to some other countries, introduced better methods in our dealings with importers. Our customs regulations have been so changed as to discontinue the system of obtaining secret statements from informers, discharged employees, and business rivals. But this agreement defines "market value" of goods sold in the home market only in limited quantities somewhat too liberally, declaring, as it does, that the export price is the market value of such goods. Although not in sympathy with either the principles or the methods of the American Protective Tariff League, I must admit that their organ, *American Economist*, has been somewhat justified in its criticism of the agreement. There is more likelihood for undervaluation under this agreement than under the former provisions of the Customs Administration act.

It seems to me that the time is ripe to do away with our complicated and expensive machinery of customs

² See the message of the President to Congress sent on December 3, 1907.

administration. This machinery has been called into existence chiefly because of improper classification in our tariff and because of *ad valorem* duties attached to uncertain and indefinite schedules. The adoption of specific duties under a definite, scientific, and business-like tariff would solve many of our customs administrative problems and would lead to a simplification of the service.

The Vienna Industrial Club in its denunciation of our tariff is not so far away from the truth when it states that we "have scraped together a tariff made up of a lot of separate decrees modeled with the view to prevent importation." Undoubtedly, in many instances the real legislators and fixers of duties in our tariff were not the congressmen who passed the law and who are so jealous of their legislative prerogatives, but the appraisers and the circuit courts who made decisions.

As to the form of the tariff to be adopted, it is, in my opinion, not so important, whether we have a single or a double set of duties, as whether we have an honest reduction of these duties or not. A maximum and minimum tariff with excessive and exorbitant rates in the minimum schedules, and retaliatory prohibitive in the maximum, is a much more unsatisfactory device for the extension of foreign trade than a single tariff based upon the principle of honest protection where protection is needed for the good of the country and upon the principle of freedom of intercourse where this freedom of intercourse may bring the greatest amount of benefit to the greatest number of people.

The advantages and disadvantages of the single and dual tariff systems have been brought out so clearly in the preceding papers that I need not consider the subject here. I may add only, that there is, to my mind, no greater inherent value in a dual than in a single tariff. If the

adoption of the first is being urged, it is simply because of the fact that most of our commercial friends and rivals have adopted the dual tariff system and regulate their relations accordingly; it is a matter of expediency for us to adopt the same system.

In conclusion, I should say that, omitting the moral, the social, and the political aspects of the problem, our present agitation for tariff revision may be traced to two causes: (1) high monopolistic prices demanded of our consumers and the consequently natural desire to buy goods from abroad; (2) necessity for expanding our foreign trade, particularly in the direction of the sale of finished commodities.

We have heard very little from our consumer, especially from the great mass of our population which lives from hand to mouth and whose purchasing power is curtailed because of the high prices charged for the necessities of life; on the other hand, we have heard a great deal from individual manufacturers and from our manufacturing and commercial organizations, which are looking for foreign buyers because they cannot sell at home all they produce. The interests of both parties are weighty, and upon their proper adjustment depends our future economic greatness. Both interests call for the revision of the tariff, and both must be considered when shaping our tariff policy. We can solve the problem of monopolistic prices by reducing or removing our duties, and the problem of the foreign markets by entering into reciprocal agreements with other countries. A mere reduction or removal of duties would mean an influx of foreign goods into the United States with perhaps no corresponding outlet for our commodities abroad; it may benefit the consumer but its immediate effect upon many producers might be disastrous. A conclusion of reciprocity treaties

alone may benefit certain manufacturing interests without bringing any relief to consumers; in fact, we may conceive a policy of commercial agreements which will leave our consumers in a worse position than they are in at present, a policy which will increase the manufacturers' command over raw materials and generators of power, which will facilitate their sales abroad and which will make them even greater masters of the situation than they are now. Being assured of foreign markets, they will raise the price at home, and the consumers will have either to pay this price or to watch with justifiable indignation cargo-laden ships leaving our ports, taking away the goods that might have brought comfort and happiness into their own homes.

Will our legislators be able to solve the problems confronting them? Admitting even that the majority of them can raise themselves above sectional interests and party politics and can face the issue squarely, have they a sufficient amount of knowledge required for the work?

TARIFF REVISION—DISCUSSION.

C. W. MIXTER: In the limited time at my disposal I shall confine myself to the nine "statements", so-called, of Professor Emery's paper.

It appears to me that Professor Emery's first "statement" is somewhat confused. Indeed, it would seem that in his desire to be very practical and tolerant he has got himself into the position of facing two ways. Which is it? Is the tariff as a whole in its industrial aspects a minor prosperity promoter, or "a minor disease"? The main idea in this first statement is that the economic importance of the tariff at all events has been greatly exaggerated on both sides; and that its chief significance is moral. With this idea in its entirety I am in hearty agreement: I believe it cannot be overemphasized.

The main idea of the second "statement" is,—deal gently and reasonably with an established system of things; do not drive a reform rough shod through institutions; do not run amuck; in dealing with the tariff shun a doctrinaire spirit as you would the devil. This position also receives my hearty endorsement. By our doctrinaire tactics, our blundering attitude of aggression, our exaggerations of the gains to be derived from free trade, we have all along been playing into the hands of the opposition. Our mistaken policy has helped to get millions of producers throughout the country into a state of needless blue funk.

The introductory position of Professor Emery's third "statement" is, that the tariff question resolves itself into particulars, and that we are under the necessity of study-

ing the effects of protection in each individual case. In elaborating this idea, Professor Emery does not follow his own program strictly, but outlines a study by certain broad classes. Upon the basis of his brief survey of these classes his position in conclusion is, that we should repeal all duties not needed for protection and should retain all duties for the present that *are* needed for protection. As this last idea was expressed, in other words, at the end of his paper,—we should “suspend for the moment the propaganda in favor of tariff for revenue only, based on the general free trade philosophy.”

I give my endorsement unreservedly to this position in both its aspects. I believe it would be good policy for some years to come to attack no duty (except on raw materials) that really protects. Indeed, if it is really demonstrated that we have a greater cost of production in any industry than obtains abroad, I personally should counsel that we do not higggle very much as to the amount of the duty, but let the protectionists make it what they please. But we should insist on free raw materials and the enlargement of the free list generally by placing on it every article with respect to which our costs are less than abroad. Let us direct our efforts to repealing that great mass of nominally protective duties with which the politicians play politics and get votes. The tariff system as a whole, with all its huge moral evil, is kept alive paradoxically not by the live duties but by the dead ones. Repeal every duty which is not needed to protect; let the people see that in consequence the sky does not fall; let it be made plain that the tariff accomplishes no *general* economic result under present-day conditions, but only a set of *particular* results—the fostering of a few barnacle industries—and the victory for liberality in trade policy will be won.

In his fourth "statement" Professor Emery sets forth the important truth that the argument for a liberal trade policy based on the consumers' interests has been, and must continue to be, a failure. There are other reasons for this besides those he had time to mention. For one thing, we have blundered sadly in not taking sufficient account of the economic principles governing the use of articles of luxury. Again, we have overlooked that very frequently the consumption of wealth in general presents itself as anything but an edifying spectacle—as anything but a worthy goal of industrial effort. The industrial efforts themselves are the worthy, character-building side of economic life. For one reason and another, it is production, not consumption, that commands the interest, the respect, and the enthusiasm of mankind. This being so, one can imagine how it strikes some protected manufacturer when you propose to overthrow the results of the labor of years, in the interest of the consumer.

The chief feature of the fifth and sixth "statements" is that the vital, promising movement toward a more liberal trade policy everywhere comes from the side of the organized producers and is based upon the producers' interests. And accordingly it is maintained that we should work in hearty coöperation with producers of liberal tendencies, even though their economic theory may be only half right and they are actuated by motives of self-interest solely. I endorse this position as a general proposition fully. I believe Professor Emery has no occasion in this connection to defend himself from the charge of being "cynical".

I believe, however, that he has overrated the force of the natural, automatic drift toward a liberal trade policy proceeding from producers' interests—proceeding from the "change of heart" of producers—practical men for

the most part, who view these things as parts, not as wholes, and who will fall out with each other again and again. There is no time to go into this matter fully. For one thing, there is the politicians' interests to be reckoned with. All over this country thousands of political leaders great and small have a repertoire of high tariff speeches learned by heart; they know by experience that the tariff is an unsurpassed "vote-getter"; they fear that "Othello's occupation's gone" the day the country settles down to a liberal trade policy and the tariff drops out of politics. Even if by reason of ambition for increased exports, and the like, the protectionist producers should all swing into line for a liberal trade policy, the battle would have to be fought all over again with the politicians.

The leading idea of Professor Emery's last three "statements", seven, eight and nine, is that inasmuch as we ought to coöperate with the producers, instead of antagonizing them as heretofore, let us take hold with them and work for the chief thing they want—reciprocity.

Personally I take no stock in reciprocity. I have not time to say why. I merely state that in my opinion in *that* way disappointment lies for *all* concerned. The less economists have to do with reciprocity, the more their reputations will be enhanced ten or twenty years from now. "No people ever yet grew rich by policies"—especially by overrefined, subtly-balanced policies.

And now to conclude. I believe, as does Professor Emery, that we should establish more cordial relations with producers, through getting into a sympathetic understanding of their aims and objects and point of view. We should talk with them hereafter a congenial sort of economics—the economics of production. But this means, for their good and ours and for the public good, to have

done with talking the economics of prices and deals and dickers—the “eidolons of the market place” that blind men’s eyes. It means concerning ourselves hereafter with *realities*—the forces of production. It means standing up stoutly oftentimes against the producer and showing him how he is defeating himself *as a producer*. We are not to plunge with him into new and more impenetrable mental fogs. It is one thing to get into a sympathetic understanding of another man’s point of view: it is another thing to adopt his ideas outright. We should be careful not to overdo being practical. Said Matthew Arnold in his essay on “The Function of Criticism at the Present Day”: “It is only by remaining collected, and refusing to lend himself to the point of view of the practical man, that the critic (the man of science) can do the practical man any service.”

J. W. CROOK: I am in general sympathy with Mr. Emery’s practical attitude. We want economic results and not the triumph of some pet theory. As long as the producers of wealth as a body think they need a high tariff, an appeal to the consumers’ interest gets little attention. Now that the manufacturing interest wants a change, we should join hands with them. Nor should we hesitate because their reasons for reduction are not ours. It seems fairly plain that when the Manufacturers’ Association organizes to promote the cause of tariff reduction, its predominant motive is the desire to either preserve foreign markets or to enlarge them. In recent years some foreign nations have been raising their tariffs. That interferes with “dumping” and threatens to seriously curtail international trade. American manufactures have grown strong in recent years and a wide foreign market is desired more than ever before. Such markets can be

obtained only by making concessions. To perfect machinery by means of which the tariff may be lowered is the first step in a policy of "invading" the markets of the world. This is a reasonable and proper motive. However, if we may judge by some of the literature supposed to represent the views of the Manufacturers' Association, the consumers have become the object of solicitude by manufacturers. It would be hard to find stronger expressions of the burdensome nature of the high tariff upon the general public than is to be found in the recent writings of influential officers of the association. It is doubtful whether this line of argument, however sound, will have any more potency now than it did when Mr. Cleveland wrote his strong message on the subject. A straightforward argument to show the necessity of lowering our tariff in order to obtain a freer access to foreign markets for American products would probably be more effective. As Mr. Emery says, the appeal to the consumer is bad psychology.

Mr. Stone has made clear the advantages of the conventional tariff as a means of arranging reciprocal tariffs. But he is equally clear that under our form of government and administration it is not a possible plan for us. Our list of unratified treaties is a disheartening one. It has meant more than treaties not made. It has been a source of international friction. A departure from a general policy of one tariff for all would seem to resolve itself into a maximum and a minimum tariff, with agreements by the executive made possible. This is reciprocity. The problem of reciprocity is not a simple one. While I do not wish to discuss it from a too theoretical standpoint, I am interested to inquire for a moment into the effect of such a policy upon both consumer and producer.

Taking the consumer first: in case an agreement is

made to admit at a lower rate only a part of finished goods imported, it is difficult to see how the consumer will benefit, at least to the full extent of the reduction. That part of the import which pays the higher rate will perform a function as to price analogous to that part of a product which is brought to market at greatest cost. Whether consumers will benefit, in case raw products should be admitted at a lower rate, will depend upon whether the further working up of the raw product is done under competition or under monopoly. If under competition, a lower cost of raw material is equivalent to a lower cost of production, which under normal circumstances would mean lower prices to the consumer of the finished product. If under monopoly, it would mean only such readjustment of selling prices as the change in the cost of raw material would lead the monopoly to adopt from self-interest. It appears then that the consumer would get the full benefit of lower rates only in case all or nearly all the imported product came in under the lower rate and if the further working up of the goods imported were done under competition. If we inquire into the effect of reciprocity rates upon producers, we shall find that under the European interpretation of the most favored nation clause brought out by Mr. Stone, America can receive no differential advantage since all other nations will be accorded as low rates as we are.

The advantage to the producer, then, is expected to flow from the building up of wider markets for American products. The whole question, however, should be carefully worked over by experts who have no interests at stake except to know the facts. Mr. Litman showed the complications of the schedules which can be scientifically framed only by men who are trained and who take time to know the technicalities of the industries affected. One of

the most difficult problems is that of the costs of production here and in countries with which we seek trade relations. But it is a problem of vital importance; one, however, that should take into account not only actual present costs but should note the differences of labor conditions. If we seek by tariff rates to equalize these differences we might properly discount an improvement in labor conditions. If costs of production here are less than in Europe on account of the fact that hours of labor here are longer, the tariff may not be employed to perpetuate such differences. These are questions that need expert investigation, such as congressional committees usually cannot perform even if they wanted to. When Germany undertakes to modify her tariff she makes up a board of experts. They give years to the study of home and foreign conditions, submit the schedules to the interests affected, and finally reach a scientifically made schedule which the business world is given time to adjust itself to. Our method so far shows a great contrast. We employ experts only to a limited extent. Our politicians have too much of a hand in it. Little time is taken. A few men are worked to death for a few weeks under the strain of trying to reconcile the claims of conflicting interests. Concessions are forced that should never be made. The question of the tariff is too important to be handled in this way. A method which should take the tariff entirely out of the hands of politicians, have its making based on a scientific knowledge of trade conditions, and be made for the general interest and not for special interests, must be found if some of the worst features of our tariff legislation are to be eliminated. The first step, in my opinion, should be a tariff commission.

U. G. WEATHERLY: With Professor Emery's idea that tariff policies are not necessarily the fundamental factors

in shaping economic development, I am in hearty agreement. It is rather as a steering oar and not as a driving oar that the tariff must be considered. A policy of readjustment which shall keep in view the learger trends of our national life is certainly in harmony with the sentiment of the whole country. Mr. D. M. Parry is no doubt correct in his recent statement that even in the middle West, where not over five per cent of the population are engaged in tariff industries, there is a general willingness to continue protection for such industries as need it. But along with this complacent assent to the protective policy there is an undercurrent of conviction that the nation should now definitely consider the question of the ends which it desires to reach, and that it should begin to use the tariff as an instrument to help establish proper social and economic standards rather than to foster special industries. In the last analysis commercial policies affect men as much as goods. The abiding justification of protection lies in whatever power it has to safeguard the standard of living which a state may fix upon as desirable. To limit or shut out foreign goods is not necessarily to accomplish this. Immigration may bring within the tariff wall in large numbers alien laborers who carry with them the status of the more backward communities from which they come and who do not become a stable part of the society which they enter. It is undeniable that at this time in America, despite high nominal wage scales, European rather than American standards persist among considerable portions of our labor force.

In so far as the tariff policy affects the trend of industrial development it may now become an important agent in helping to determine whether the United States shall become a distinctly industrial state, after the pattern of the older industrial nations, or whether it shall retain

something of its hereditary character of well-rounded economic life. Much the same alternative has confronted Germany, to the perplexity of her economists and statesmen. Professor Wagner, alarmed at the excessive industrialization of Germany, a few years ago sounded a note of alarm for her agricultural interests. "An adequate protection for agriculture", he declared, "higher than at present, would be in the general interest of the whole country, even if by this means the industrial development of the state and possibly also the growth of population should be, not entirely stopped, but certainly slackened, in the all-around interests of the workers and of the economic development of Germany. The maintenance of a capable agriculture means the maintenance of the German people now and for the future." Overindustrialization, carried to the extreme of exporting manufactures and importing food supplies, may as a policy be temporarily brilliant. In the long run, however, it must prove dangerous because both the markets for exports and the domestic food supply are restricted with every advance of industrialism. Agriculture of itself is less efficient in protecting its interests than is industry, by reason of its being less thoroughly integrated. It is therefore always in danger of being neglected until its decline shall have gone so far as to render the task of restoring it to vigor a doubly difficult one. The question of population also is involved in the problem of the equalization of industry and agriculture. Industrial growth purchased at the expense of the stability and proper distribution of population is uneconomic. Now American industrialization has proceeded too rapidly, and the sudden massing of unadjusted working groups in urban centers has brought about more than the usual confusion which appears when the workers are drawn together from within the same coun-

try, as in modern Germany. The fact that more than 700,000 recent immigrants have returned to Europe since the beginning of the depression of 1907 is not a wholesome symptom, but it serves to point out the need of an industrial policy that will conduce to greater social stability.

Another aspect of our economic life which demands at this time the formulation of a definite program is our commerce with tropical lands, and particularly with the Latin American countries. Whether a system of reciprocity treaties especially devised to meet the needs of our peculiar relations with those countries be feasible, or whether, as Mr. Stone concludes, the general and minimum principle should be adopted, the situation is one that requires a treatment somewhat different from that which our commercial relations with Europe call for. It is not merely that the balance of trade is against the United States in the exchange with several of the Latin American states. Both geographical proximity and complementary productive capacities render commerce with them the most natural and economic one. When Mr. Blaine's far-sighted plans were propounded twenty years ago it became evident that no such radical step as a Pan-American customs union was practicable, but it does not follow that some tariff arrangement is impossible which shall in commerce supplement the Monroe Doctrine in politics. Whatever scheme of revision is adopted must ultimately take account of these interests. The formulation of a policy correlating our commercial and political interests calls for the coöperation of trade experts and statesmen. If protection is, as Professor Patten has called it, "a consistent endeavor to keep society dynamic and progressive", the effective direction of commercial policy means the employment not only of skill in manipulating tariff schedules

but of large-minded foresight in grasping the commercial situation. This is but another way of saying that the tariff question should be taken out of politics and entrusted to a commission of experts.

CENTRAL BANK OF THE UNITED STATES.

P. M. WARBURG.

In dealing with the problem of a "Central Bank of the United States", one should properly discuss first the advantages and disadvantages of the central bank system in general, and then the particular problem of a central bank of the United States.

For the purpose of this discussion, however, I may take it as a matter of common agreement, that in the present state of our civilization, wherever circumstances permit of its establishment, the central bank system is the most suitable and efficient. When the millennium comes, when the reign of eternal peace is ushered in, and when competing armies and navies no longer exist, we may see a system which will centralize all the gold of all countries into one big international reserve or a system which can be operated without the use of any gold at all, as some theorists, like Professor Knapp, of Strasbourg, foresee. I, for one, do not believe that either we or our great-grandchildren shall have to discuss these possibilities as more than theoretical questions.

While we all hope that the arbitration movement will continue to grow and that wars may in the future become less and less frequent, the possibility of struggles among nations always remains. Hence nations will never consent entirely to abolish their armies and navies, and just as little as they will give up their reserves of powder and guns will they agree to give up their reserve of gold. This is important: for while within the confines of our own political boundaries our present money system acts

as a national clearing house,—crediting to each of us the net result of his work, and accomplishing this practically without the actual use of gold, by means of bank accounts or of checks to bearer, namely, bank notes,—still ulterior payments between nations, whenever all other means of settling the debit balance with a creditor nation have been exhausted, must be made in gold.

To meet the immense volume of demand obligations, which are, by their terms, payable in gold, there exists in actual gold under a modern banking system an amount equal to but a small fraction of the total amount of gold debts. This system is therefore safe only if the credit of the banks is so strong as to inspire a confident reliance that even if actual gold in large quantity is at one and the same time demanded from one or from several banks, the metal will not be needlessly and wastefully hoarded, the public and the banks themselves being confident that money so withdrawn will be redeposited, so long as there remain some institutions the credit of which cannot be shaken. Furthermore, the system must be so constituted that, in case of a demand for gold, each solvent bank will pay out the metal freely and boldly, recognizing this as the sole method of stopping an internal drain, and of preventing it from degenerating into a panic. In addition, the system must provide for a means of successfully combatting the export of gold, and of encouraging its import, when necessary, through the medium of the discount rate. This again presupposes the existence of a large volume of safe commercial paper endorsed by, or bearing the acceptance of, well-established banks or bankers, paper which is saleable at any time and which, by the customs of the country, is freely purchased or resold, as their daily needs develop, by financial firms and institutions. Finally, the laws governing and safeguarding the

creation and collection of such paper must be so clear and uniform, and the collection of such paper in every part of the country must be so easy, as to make an investment in such paper not only the safest but also the quickest asset of a bank. These conditions actually prevail in countries enjoying a powerful and well-organized central bank.

There is a very old English phrase saying, "John Bull can stand anything, but he cannot stand 2 per cent." Since this phrase originated, centuries ago, John Bull has seen lower rates, but none the less it remains true today. It means that money seeks to draw a fair return of interest, and it illustrates, furthermore, why a period of too easy money invariably brings in its train a period of expansion and overspeculation. With both phases the central bank is intimately connected. As the meteorologist draws his chart showing the points of high and low pressure, and from these deduces the probabilities of wind and weather, so a map could be drawn showing how money, among financially well-organized nations, flows with absolute certainty from the point of low interest rates to the point where a higher return can safely be secured. And just as low pressure is not the only factor determining atmospheric transformations, but as temperature and humidity are important elements as well, so in the movement of money also there are important local questions to be taken into account. Such are the rates of exchange which, as the case may be, either add to the interest rate to be earned in another country or else decrease the return to be received. There is furthermore the question of the degree of confidence enjoyed by each country.

As the insurance premium is commensurate with the risk of each transaction, so money exacts a larger return from investment in countries which are considered finan-

cially less secure, or in which, owing to a smaller or more irregular market, the investment cannot be so quickly resold. The total amount which the investor is willing to place in each particular country will depend upon these considerations.

An investigation of European conditions will show that money moves freely, according to this principle, between the larger and well-regulated European financial centers. In the face of political antagonisms money will flow to that center where the highest interest return can be received, provided that confidence in that particular country is so strong that the higher rate does not act as a deterrent but as an inducement. Thus French gold began to flow into England when the English bank rate went up to 7 per cent at the end of last year. French capital at the attractive interest rate was invested in English bills to such a degree that the balance between the two nations turned in favor of England, and had to be settled by shipments of gold. In a similar way hundreds of millions of foreign capital move into Germany when rates become remunerative there, and leave that country again when the difference in rates,—the margin, as the banker calls it,—disappears.

We cannot too strongly grasp this idea of the power of the bank rate to protect and to attract gold. Without such power the central bank system is useless; for it would collapse when the first drain occurs.

How is it possible, it is often asked, for England to do this enormous business which comes to it as the world's clearing house, with so small an amount of gold. The answer generally given is that it is possible only through England's power to command the gold, thus implying the idea of immense balances due to England, which are called in when needed. While this at certain times may

be correct, it does not state the most important cause, namely, England's credit, the great confidence commanded by the English banks, and by their paper and the knowledge that that paper can always be resold without any difficulty whatsoever, and that, if required, it can be collected in actual gold. England's credit and her ability to adjust her rates of interest render her system possible and effective. Between the indebtedness of one nation to another and the actual settlement of that debt in gold there lies—as a buffer—the borrowing power of the banking communities of the respective countries. Nations, financially well-organized, will find that for a moderate inducement money will flow to them freely for the purchase of securities, or for the purpose of short-time investment. This buffer is strong in England, as it is weak in the United States. We have no modern and readily saleable paper which in critical times we can offer to foreign markets, and while the European banks work with fluctuations within fractions of one per cent, our primitive methods often mean that before the tide can be turned we must suffer fluctuations of interest rates of 100 per cent and a fall in the value of securities to bankruptcy prices.

Just as important as the protective power of the central bank, is its preventive power. When money becomes too abundant there is always danger that it may leave the country, and also that speculation may be unduly stimulated. It is during such a period of general exuberance and expansion that the central bank, if wisely managed, will draw in its funds and prepare for the coming storm; to accomplish this it will seek to stiffen money rates, and, by sounding its note of warning, it will often avert the coming crisis, or modify it into that normal form of natural reaction which inevitably follows any period of great prosperity and expansion.

On the other hand, a perfect central bank system will protect the country not only from too easy money, but also from too high rates during those periods when money is in active demand, as, for instance, in our country during the crop season. During such times a perfect central bank system will, without unduly increasing the rate, provide freely for legitimate demands. It will be prepared to let its reserve decrease materially, knowing by experience that the notes issued in excess of its normal circulation will quickly return after the particular business of a given season has been done. Thus we see that the end of December annually brings with it a large increase in the note circulation of the German Reichsbank, which notes, however, quickly return for redemption during the first two weeks in January.

From the banker's point of view, the chief features and advantages of a central bank system are the following: (1) the protection and replenishment of the country's gold holdings; (2) the creation of an elastic currency which tends to prevent too low money rates in times of abundance, as well as too high rates in times of money scarcity; (3) the establishment of a broad market for commercial bills—this market at bottom owes its existence and its importance to the central bank's readiness to discount such bills at any time, thus making the commercial bill the best quick-asset of a bank; (4) the fact that it acts as a bed-rock foundation for confidence in times of stress, because it centralizes the reserves of the country, thus rendering possible their free and effective use; and, finally, (5) the fact that it creates a central institution able to deal with other nations, in case exceptional measures become advisable, and with which other nations, even in times of the worst panic, can negotiate to furnish or obtain large loans of gold, as has frequently been the case between France and England.

The shortest and most striking way to illustrate the shortcomings of our system will probably be to review our experience of last year: We had, like Europe, gone through a period of rapid expansion, probably overexpansion, and a natural reaction was bound to come to us, as to Europe, and it did come to both. Expansion was probably more acute in Germany than with us; why then did Germany, much weaker than we, weather the storm without a panic, while we went into a most disgraceful state of utter helplessness and temporary bankruptcy?

We may leave the ephemeral question aside as to which "straw" it was that "broke the camel's back". After a long period of prosperity, there will, almost always, develop some point of weakness, where the break will first occur; and, as a rule, that break and the ensuing strain will bring down other parts of the structure affected by dry rot. Some "bubbles" were pricked in Germany also, and some ugly failures occurred there, but they did not create any panic. Distrust did not spread in Germany, because the general system, being what it is, keeps unshaken the belief that against good assets, good money will always be available, and so "hoarding" remains an unthinkable phenomenon. Furthermore, there was unimpaired confidence that so long as the Reichsbank was in general touch with the situation, though some things might be rotten, they would remain the exceptions; and that it would be impossible for all or even any large proportion of the financial institutions to be unsound.

We shall not deal with the question whether with us bad judgment and mismanagement had been so extreme that the resultant outbreak of distrust was, as a natural consequence, bound to be as violent as it proved to be, or whether artificial fanning of the flame by agitation, sensation, and exaggeration played any part in the unfortu-

nate development, or whether such a complete collapse of credit would under any circumstances have been possible had the legal foundation on which the whole industrial and financial structure rested been firmly and equitably constructed, and had it been less subject to violent upheavals.

Whatever causes may have combined in the United States to bring about the crisis of 1907, it cannot be doubted that it would never have reached such appalling dimensions had it not been for the lack of elasticity in our currency; the utter uselessness of our reserves; our inability to apply the brakes while we were going too fast; the absence of any means to negotiate for measures of relief with other countries through a channel recognized by them as official; and finally the lack of modern American bills of exchange, which, while serving as the means of settling the daily balances of the nation, would have been assets on which the banks might have realized in Europe and in the United States, by rediscounting amongst each other or at a central bank.

When the panic came, no outflow of gold had taken place, and no natural shortage of currency prevailed. Our existing per capita currency was very large, much in excess of that of most other nations, and there were hundreds of millions of currency in the banks and trust companies. But when, owing to an epidemic of distrust, people began to withdraw cash, it became strikingly apparent that our system was only a fair weather system, liable to absolute collapse in adverse times.

Where, as with us, there are no means of issuing additional currency against the best commercial assets, where the enormous reserves of cash accumulated in the banks cannot be used because each manager fears a run on his own bank if his reserves go below the 25 per cent limit,

it is inevitable that each bank must attempt to draw upon the reserves of every other bank, and that each will hesitate to pay out cash at a time when the panic-stricken public should be fortified in its confidence that its money is safe and that cash is coming out freely everywhere. Under such conditions the drain by the public must increase instead of being stayed, and it is inevitable that the worst and most aggressive hoarder will become the bank or trust company which, realizing that its 25 per cent cash reserve is quite useless, will, as an act of self-protection, and because no other way exists, use every means of "building up" a reserve, by preying on its neighbors, at the very moment when reserves should by all means be decreased.

From such a system there can result only one consequence,—a tremendous rise in interest rates and a tremendous fall in the price of securities; and if even these brutal effects do not attract foreign capital and do not convert the home depositor and hoarder into investors, a general suspension—politely called clearing house certificates—must follow in order to prevent wholesale individual suspensions. Our system, in fact, did not even permit us to suspend scientifically. When New York began to issue clearing house certificates and all the rest of the country had, as a natural consequence, to follow, the struggle for gold and currency became even more acute among the various cities, and a shameful gold premium which lasted for several months drained Europe's gold chests and brought needless harm and anxiety to our friends on the other side of the Atlantic.

Some years ago a stranger arrived late at night in a German town, and when he was about to leave the station he saw that there was only one cab left. He hailed the driver who, however, refused to move, and the policeman

explained that as the law prescribed that one cab should always be in waiting at the station the cab could really not be allowed to leave. Ridiculous as this story may appear, it is quite applicable to our law which prescribes that the 25 per cent reserve must always be kept intact.

It cannot be too strongly emphasized that our most urgent needs, in addition to the creation of an elastic currency, are concentration of reserves and the possibility of concerted action in lieu of our present system of decentralization.

Let us now consider what circumstances there are to prevent us from establishing a central bank similar to those found in the European systems. The chief difficulties are the existence of our bond-secured currency, the decentralization of our note issuing power and of our reserves, the lack of modern commercial paper on which to base an elastic paper currency, the existence of our obsolete usury laws, and finally the deep-rooted popular prejudice against anything bearing the name of a "central bank"; the fear alike of politics in business and of business in politics.

It is unnecessary to make a long argument against bond-secured currency. Only weak nations or a people in times of stress, generally during a war, have issued bond-secured currency; and every healthy nation as soon as it was again strong enough has always abolished this obnoxious system of inflation. As long as we have this bond-secured currency, we cannot succeed in getting an elastic one. Bond-secured currency always expands; it hardly ever contracts. Our recent legislation, enacted in the summer of 1908, was wisely created as a temporary measure only, since a far-reaching reform could not be successfully achieved in a hurry and without thorough research. The new law is an important step in advance.

inasmuch as for the first time commercial paper is admitted as a basis for the issue of notes. But unfortunately the issue of notes against commercial paper is made dependent upon the previous issue of bond-secured currency to the extent of no less than 40 per cent of the note-issuing power of a bank. This, and other conditions imposed upon such note issue, make the new currency an emergency currency, but not a healthy and normally elastic currency.

With elasticity we generally connect the idea of the rubber band. If we take an old and frayed rubber band, which has been stretched to its utmost capacity by holding together a large bundle of papers, we cannot make the old rubber elastic by tying to it a new piece of elastic band. Where this has been done we have indeed made room for more papers, and when this new room is filled, some little elasticity will develop, but if the papers should then decrease below their previous maximum size, the rubber band will stay as it is,—it will not contract. In order to have effective elasticity, the band must still fit tight when the bundle has been reduced to its smallest size. This means that, in order to make the old band elastic, we must shorten it considerably before we affix the new elastic addition. In other words, we must first of all redeem our bond-secured currency so that our note issue may hereafter be able to contract in times of abundance, and so that roughly, from the lowest point upward, the note issue shall remain in healthy touch with the demand for currency.

In redeeming the bond-secured currency, two points will have to be borne in mind: the one is that it must be done without injuring the banks that now own these bonds—or it will never be done, and besides, to do it otherwise would be unfair; the other is that we must be

able to provide new currency when we withdraw the old, so that no scarcity will be artificially created.

If I were asked to suggest how this could be done, I should propose an inverse conversion of the bonds,—that is, I should advocate the conversion of the present government bonds into bonds bearing a rate of interest higher by so much that after the privilege of issuing notes against them shall have been withdrawn the bonds will sell just as high as, and possibly a little higher than, they now sell with this privilege. This can be done gradually and in various ways; it would indeed mean an increase in the yearly interest charge to be borne by the United States, but it would put our bonds on a natural basis, like the English Consols or French Rentes, so that the American people could afford to own their own government bonds. In fact, this money, by securing a healthy financial system, and by protecting us from a repetition of past convulsions, would come back to us a thousandfold, and would constitute the best expenditure that our government could make.

In creating the new currency, we could probably follow the lines of the recent legislation, and provide for the organization of currency associations throughout the country. These associations, which should be open also for state banks and possibly also for trust companies, and which should be modified in many other respects, would discount the legitimate commercial paper handed in by their members and pass it on, with their endorsement, to the central issue department at Washington, which in turn would issue its notes against such guaranteed paper. Of course, such paper with such guarantee should be taken at par, and not at 75 per cent, as at present provided, and it should be taken at a uniform rate, to be published from time to time, by the central issue department. The cur-

rency associations would receive from the institution handing in the paper a certain remuneration for every endorsement or guarantee executed by them. (Whether the profit, after paying for the running expenses and after having accumulated a large reserve fund, should in years to come be paid out to the members of the associations, in proportion to their pro rata of the guaranty, is a detail to be worked out later.) A most important consequence of such a development would be that we should break with our present dangerous system by which the banks are filled with single name paper which they cannot resell, and which, under our present conception of banking, they could not attempt to sell without ruining their credit. The laws would, of course, have to be so amended that banks could endorse and accept freely as in Europe; and it will in time follow as a natural development that discount companies will be created, as in England; and that when money is in active demand in the South and offered freely in the East, the southern banks, instead of rediscounting with their association, will be able to rediscount frankly and openly in New York or in Boston or in Europe. If, as it is to be hoped, the currency associations and the discount companies will, at the proper moment, begin to establish two different rates for guaranteeing paper, a higher one for single name paper, and a lower one for paper bearing in addition to the commercial signature the acceptance of a bank or banking firm, we shall give an added stimulus to the modernization of our paper. When our banks once feel that they can rely on being able to rediscount their legitimate paper, they will be able to purchase the same freely without as now running the risk of dangerously locking up their capital through such investment.

I have repeatedly dealt with this question and with the

disastrous effects of our usury laws, and have tried to show that our system is in this respect directly opposed to the European system, and that our almost annual convulsions will perforce continue unless we make our commercial paper the quickest asset and the basis of our banking, instead of using the stock exchange call loan for this purpose.

As for the organization of such a central issue department, I have also dealt with this question on previous occasions, and I must not go fully into the details of that problem here. Suffice it to say that the board of trustees or directors should be composed of delegates from the various currency associations, of the Secretary of the Treasury, the Comptroller of the Currency, some members of the Senate and of the House, to whom some members of the commercial classes might be added by election of the stockholders. This body of men should elect two governors, salaried officers of highest standing and training, who would be retained in office as long as they are effective and honest, irrespective of the political party that may for the time being be at the helm.

The powers of the central department of issue should be strictly limited, and should be as follows: to discount paper, running not to exceed three months, for the various currency associations; to make advances against certain bonds (government bonds, savings bank bonds, etc.), at uniform, published rates, and up to certain percentages of their market value to be designated from time to time (whether such advances are to be made only through the currency association or also direct, is a detail which can be left open for the time being); to buy and sell foreign bills running not to exceed three months, and bearing at least three *bona fide* signatures; to deal in bullion and to contract for loans of bullion; to act as the depositary of

the treasury's money without giving collateral; and, finally, to receive deposits from the currency associations. The central issue department may issue notes which must be covered by gold or commercial paper—no less than one-third of the notes issued to be at all times covered by gold or legal tender.

A central department of issue so constituted would be beyond any possibility of abuse for political or other purposes. The constitution of the board and the limitations of its power preclude any such possibility, however remote.

In order that the central department of issue must command the highest possible confidence, and in order to provide a strong gold purchasing power from the start, it is suggested that the department be endowed with a large stock capital of, let us say, \$100,000,000. In order, however, to prevent any possibility of having the department administered with a view of earning large dividends for the stockholders, it is proposed to limit the dividends to a certain percentage, and after having accumulated certain reserves to turn over the balance to the United States government. Whether or not, in consideration of such profit to be received, the United States should guarantee the notes, may be left for future consideration.

The bugbear that somebody might buy the control of such an institution may safely be dismissed. A man or a group of men purchasing all the stock would not derive the slightest profit from it, except the limited return on the investment. They could not appoint the board, and even if they could do so they would not profit by it, as the department is restricted to a limited number of safe transactions.

The central department of issue should have the right to ask from time to time that the banks, through the asso-

ciations, deposit with it a certain proportion of their cash reserves; and the law would have to be amended so as to allow the banks to count as cash their deposits with the central bank of issue. The object of such an amendment is obvious, as the gold in the hands of the central issue department can do thrice the amount of good that it can do with the individual bank, which, after the organization of a central issue department, need not fear the withdrawal of cash so long as by rediscounting its sound and legitimate paper it can secure currency.

As for greenbacks and silver certificates, I believe that we could well afford to leave them untouched for the time being, and possibly use the surplus to be derived from the profits of the central issue department for the purpose of gradually retiring the greenbacks. With the bond-secured currency redeemed and replaced by an elastic currency, it is conservative to hope that with the large exporting power of this country we shall be sufficiently equipped to protect our gold, and that the greenbacks and silver certificates will represent no more than the pocket money of our large population. However, this scheme with all its details as far as they can be outlined in this brief address, does not pretend to be the only solution of the problem; it is a suggestion, subject to many modifications. I have great hesitation in outlining it at all, for while the Monetary Commission is so seriously at work, accumulating material for thought and study, I should have preferred not to express any views at this time. However, as this most important question cannot be solved by the politician alone, nor by men of science alone, nor by the business man alone, I feel that we, each of us, must do our little share, when called upon, and I therefore accepted your invitation, though fully realizing my own shortcomings for such an undertaking.

The advantage of the scheme as outlined is that instead of trying new experiments it proceeds on lines which have been successfully followed in the most important financial centers. Conditions are too different with us to permit of an exact copy of any of the European systems; but the proposed plan would tend toward the gradual evolution here of conditions that as we develop would render the central issue department more and more efficient and simple in operation.

Some schemes, which have heretofore been advanced, propose to leave the note issuing power with the national banks, and to regulate their reserves and rates by a central board or similar institution. I for one do not believe in such plans, the shortcomings of which are that, in order to be efficient, there must be too much interference with the liberty of conducting business. For such a central board would eventually have to dictate the rates at which the banks would be allowed to take money or to lend money, and a general guarantee of deposits is only one of the logical consequences of such a scheme. As a matter of fact, under that scheme there would be one central board managing all the banks—an entirely new departure and much more drastic than any central bank. If under that scheme such central interference were made less effective than above outlined, our present defects, namely, the weakness of scattered reserves, and the danger of the decentralization of the note-issuing power into more than 6500 banks,—would remain as obnoxious as before.

Other schemes have been suggested which propose to regulate the whole question automatically by a tax; but automatic measures cannot possibly meet in the most efficient way all the different eventualities that may arise. A drain from within must be met in a very different way from a drain from without, and a drain from both within

and without will again have to be treated in a different way. How then can we hope to attempt to create one measure which by a tax will automatically meet all these varying requirements? Besides, these measures provide for inflation without creating new reserves or effective means to attract and retain the gold. Most of these measures will remain passive measures; they scarcely have any preventive or protective power at all.

Some people believe that we should imitate the Canadian system. Without going into the question whether a system that has proved a success for six million people would also be well adapted for a population of eighty-five or ninety millions (and without discussing the point whether this system—like many others—could survive in the absence of the close relationship with the well organized English banking community), we shall only follow out this one thought: the Canadian system is based on the small number of some thirty banks with branches in every hamlet. The minimum capital of a bank admissible by law is \$500,000, but the majority of the banks have a much larger capital, some up to \$14,000,000. Of our 6650 national banks, 5367 have a capital of less than \$100,000. Are all of these to go into liquidation? And would not a concentration of the whole banking power into the hands of a few gigantic institutions with branch banks bring about the very conditions which popular sentiment abhors, and which the government is striving to avoid? The central bank system—and also the modified system of a central issue department—stands for sounder principles in this respect: it centralizes reserves and brings about the possibility of concerted action in the face of danger. By creating safe conditions, it makes the small bank independent and the danger of an overpowering individual control, instead of being aggravated is.

for this reason, immensely lessened by a central issue department. Thus the central issue department would protect the small bank and not menace it as is generally believed.

The central issue department is sound also in this, that each transaction which it brings about, directly or indirectly, is a plain business transaction. If a bank desires its paper guaranteed by the currency association, the bank pays the commensurate commission for such indorsement, and the guarantors earn the commission. If the currency association finds the security insufficient, it will refuse the business. Each transaction is an individual one, carefully scrutinized, and there is no unbusinesslike wholesale guaranty.

Nor is there any real interference; each bank deals with the currency association of its own free volition, and through it with the central issue department. The central issue department can post the rates at which it is willing to do business with others, but it cannot force anybody to do business at these rates, nor directly interfere with anybody's conduct of business. It is its indirect influence which is strong, and which is of the most beneficial effect.

Furthermore, it is a sound principle that the financial affairs of a nation should be guided not by an automaton but by will-power and brains behind the machinery, though strong restrictions must give the assurance that this will-power cannot go beyond certain safe lines. Such a system will be a vast improvement upon our present treasury organization, which is constructed on the one hand in order not to do what a central bank of issue ought to do, and which, on the other hand, as a consequence of our defective system, has gradually vested the Secretary of the Treasury with more autocratic and dictatorial powers than any central bank manager could ever exercise.

Finally, banks are money-making concerns. Money-making and money-issuing are two entirely distinct functions. It is precisely in order to abate eagerness in *making* money that the *issuing* of money at times must be rendered more difficult. Moreover, the note-issuing bank must be put beyond the danger of material losses and beyond the possibility of being drawn into individual transactions, for otherwise its credit will not be unassailable, as it absolutely must be, even in times of the worst panic. The ordinary bank, on the other hand, has the duty of taking commercial risks and of carrying on individual transactions. That is why with us, as in every modern country, general banking and the issuing of notes must be kept separate.

I have avoided calling the institution of the future a central bank, because, as proposed here, it is not a central bank. If, instead of the independent currency associations, this central issuing department were endowed with active branch offices dependent upon the head office, such a name would be correct. No doubt a central bank with active branch offices would be the more efficient, so far as concerns the controlling of the country's gold, its money rates, and its financial safety. But with our present political and financial conditions, it would probably be impossible, and in many respects unsafe, to vest such vast powers and duties in one body. Though the system suggested by me may be a little less effective and more cumbersome, we must, for the beginning at least, interpolate the currency association, or some similar institution, to stand as guarantor and examiner between the central issuing department on the one side and the local bank and its customer on the other. As our banking paper becomes modern, and as safe standards for the same develop, as we outgrow the financial and political dangers, which are

stronger in a country in its period of rapid growth than under conditions of more advanced and slower development, we may gradually—and it is to be hoped soon—simplify the system. But it is safe to leave this further development to the future, provided that we now find the right principle for the establishment of a sound basis. In constructing such a basis, it is better to err on the conservative side than to attempt too big a stride at the beginning. While we may disagree as to the extent to which a central bank system may be applied in the beginning, there cannot be the slightest doubt that the principle of that system must be adopted.

It is most surprising that so ineffective and obsolete a currency system as that of the United States should have been so long maintained by so eminently practical a nation. The explanation is that the wonderful resources of the country, its marvelous prosperity and natural everlasting credit balance against other nations appeared to legitimize and justify our system. The currency reformer has always been met with the argument that, while theories might be good for poor little Europe, practice proved that the American system was sound enough for the United States. We had to live through last year's horrible crisis to learn that we had been prospering in spite of our system, not in consequence of it, and that unless we effect a thorough reform, the future is bound to bring us similar disasters and similar disgrace as the past.

It is our duty to keep the memory of the crisis of 1907 fresh in our minds, for unless we grasp not only the danger but the certainty of its reappearance, we shall not realize the blessings and the absolute necessity of a central bank system in the United States.

CENTRAL BANKS.

O. M. W. SPRAGUE.

It is obviously impossible, within the limits of time at my disposal, to discuss in a comprehensive fashion the many problems suggested by the proposal to establish a central bank in the United States. I shall, therefore, attempt to do no more than merely indicate certain conditions which are likely to render the task of a central bank in this country extremely unlike that of the central banks of Europe—so unlike, indeed, that European experience affords little aid in estimating the probable results, which we might attain through its operation. In the second place I shall suggest certain less revolutionary remedies for our financial ills.

The problem which would present itself to the central bank in its capacity as government fiscal agent would be both difficult and unique. In England, France, and Germany government balances are comparatively small. The normal balance is less than \$50,000,000, and, at least in recent years, the maximum has not reached \$100,000,000. Moreover, the fluctuations of any single year are typical of every year, and being, therefore, foreseen, can be taken into account in the money market generally as well as by the central bank. In the United States, owing to our haphazard methods of legislation regarding appropriations, there is no uniformity in the fluctuations of government funds. During the first of the last four years the surplus was very nearly stationary; then came nearly two years of growth, adding nearly \$150,000,000, followed by more than a year of as pronounced decline.

During all that time the surplus has been greater than the maximum balances of England, France, and Germany taken together, and, during many months, greater than the total deposit liabilities of the Bank of England.

Our government surplus is, then, peculiar in that it is a large and, to a considerable extent, a permanent fund. The people would certainly and properly insist that it be used with some reasonably close approximation to the population of different sections of the country. But for the central bank to lend everywhere directly to the business community would be an evident impossibility. Thousands of branches would be required to furnish the facilities afforded by the Bank of France or of Germany through their network of something like five hundred branches. To lend chiefly through a few branches like the Bank of England, would not secure the same results in this country. In England, and indeed in all countries which have central banks, there is a high degree of concentration throughout the banking system. Somewhat less than a hundred banks in England occupy the banking field with several thousand branches. Credit, therefore, is highly fluid. If the Bank of England increases its loans in London, the other banks are then in better position to meet further requirements, whether in London or at their provincial branches. In the United States branch banking is generally prohibited. Each bank engages in local business alone, if exception be made of the employment of temporarily idle funds by outside banks in the large cities. Loans made by a central bank in New York or Chicago would have no influence whatever upon the available lending resources in Massachusetts or in Iowa. The central bank would, therefore, be obliged to lend to the banks generally. In other words, it would have to decide between the competing requests of fifteen

thousand or more banks throughout the country. While conceding that this would not be an impossible task for a central bank, it is at the same time evident that the undertaking is quite unlike anything performed by existing central banks in Europe. The prediction may be ventured that the government funds would be distributed in some more or less permanent fashion not altogether unlike that with which we are now familiar. To be sure, we should escape the inconvenience which arises from the hoarding of large sums in the Treasury, but that end could be readily gained if the Secretary of the Treasury were instructed to deposit in the national banks everything above a certain working balance.

Very much the same difficulties present themselves with regard to the issue of an elastic currency by a central bank. The issue of notes would be made through loans, and the central bank once more would be obliged to decide between the requests of thousands of banks. Moreover, the issue of notes would remove one very valuable restraint upon the expansion of credit in this country. Where checks are in general use, credit in the form of deposits has remarkable expansive qualities. Seasonal demands, if not too large, simply remind the banker that his deposit obligations are for payment on demand. Our crop-moving requirements call for perhaps \$50,000,000, an amount which our deposit banks should be able to pay out without disturbance. Inability to do so calls for a more conservative policy during the summer months rather than an additional extension of credit in the autumn. It should also be recognized that the results secured through the issue of notes by central banks in the countries of continental Europe do not afford much indication of what might be expected in this country. Where the check habit is not generally developed the extension of banking

credit is pretty closely limited to the money secured by the banks from capital surplus and the money paid in by depositors, together with the notes issued by the banks. In this country banks are able to lend their credit more largely through the granting of deposit credits upon their books. A given addition to their cash holdings permits an extension of credit to several times that amount. By substituting the notes issued by a central bank for money now in circulation which could be counted as reserve, our banks could further enlarge the credit structure until checked by gold exports, unsound business conditions, and lack of confidence. The Bank of England is the only central bank in a country in which deposit banking is highly developed, but it affords no example of the effects of the issue of credit bank notes, since its notes are practically gold certificates. It may also be added that the Bank of England has managed very well without the power of extending credit in the form of notes.

The better disposition of government funds, and the issue of notes in normal times, are, however, of but insignificant importance in comparison with the service which a central bank is expected to render in times of crisis by those who urge its adoption. Any device would indeed be welcome which would mitigate the recurrent panics and suspensions to which the American credit system has been conspicuously subject. It is necessary, however, to make certain that the causes of these troubles are of a nature to be removed by a central bank, and if so, whether more simple remedies are not equally promising.

During a crisis it is important that loans be continued, that gold exports be checked, and, if possible, gold imports be secured, and, above all, that the banks continue cash payments, so that the domestic exchanges may not be dislocated. The first of these objects—the continuance

of loans—has been secured since the crisis of 1857 through the device of the clearing house loan certificate. Unfortunately, however, the issue of these certificates has come to be regarded as somehow involving the suspension of cash payments. This view is based upon an entirely mistaken conception of the purpose and origin of the loan certificate. In the crisis of 1857, the New York banks generally curtailed their loans, because each bank feared an unfavorable clearing balance. The loan certificate was first made use of in 1860 purely for payments between banks. It removed the temptation to pursue a policy of loan contraction because a favorable balance could be paid in certificates and not in money. The use of this device does not diminish in the slightest the obligation of the bank to pay its depositors cash on demand. It is indeed true that in some of the western southern cities the loan certificate has been used in payment to depositors. Such use is demoralizing and cannot be too strongly condemned. Still another advantage may be mentioned from the issue of loan certificates when confined to payments between banks. It is a ready means of rendering aid to the weaker banks, the necessity of which in a crisis was well illustrated in the case of certain trust companies in New York in 1907. It is of course possible that a central bank would be able to handle a crisis, so far as loans are concerned, more satisfactorily, but it is at least uncertain. At all events, we have in the loan certificate an alternative method which has proved adequate in the past.

Continuing our examination of past experience in the matter of loans, it is significant that loans have not been greatly diminished on account of crises. The national bank returns for August and December, 1907, for example, show a reduction for the country as a whole of

but slightly more than two per cent, and a positive increase in most of the cities. Money rates, especially for call loans, in that and other crises, did indeed reach much higher levels than in other countries during similar disturbances. In part this is due to the system, peculiar to ourselves, of daily settlements on the Stock Exchange. In part it is due to a failure to recognize that no class of loans, not even call loans, can be reduced suddenly upon a wholesale scale by the banks generally. Money pools are a momentary device, and the clearing house loan certificate is a more permanent device which check the unavailing effort to reduce the customary banking accommodation.

Summing up the situation with regard to loans, we find difficulties which are not incapable of modification under our present system. The same difficulties would present themselves if we had a central bank, especially those arising from our Stock Exchange methods, from the number of banks which would require support and the much larger number the coöperation of which it would be necessary to secure.

Little need be said with reference to foreign exchange, although to secure favorable exchanges is the chief concern of foreign central banks. We have never experienced any difficulty in securing gold imports, with the possible exception of the crisis of 1893, when our currency was redundant. The character of our foreign trade places us in a position of great advantage. Moreover, our exporters regularly draw bills upon foreign purchasers, and these bills are regularly discounted in Europe. Consequently, payments for our exports are immediately convertible into cash. If any difficulty were to arise from this source, it would be due to the large amount of anticipatory and finance bills which are drawn

by foreign exchange houses upon their European correspondents. Had the volume of such bills been as large, as has at times been the case, just before the crisis in 1907, we might not have been able to draw any large amount of money from Europe. This is a danger which could hardly be prevented if we had a central bank. Moreover, it should be noted that some of the advocates of a central bank seem to expect that by its means still greater recourse may be had to European loanable funds, through the discount abroad of purely domestic bills. When it is remembered that we finance practically none of our over-sea trade, and incur much temporary indebtedness by finance bills, a plan which would still further expand our temporary foreign obligations seems hardly conservative, to say the least.

Finally we come to the most serious weakness which has manifested itself in the working of our banking system—the almost invariable suspension of cash payments whenever a crisis occurs. If a central bank is the only means of preventing this calamitous evil, that alone is indeed sufficient reason for its establishment. It does not, however, seem clear that cash payments cannot be maintained without a central bank. Where there is a central bank this responsibility rests primarily upon it. In this country the responsibility is divided among all the banks, but it is not equally divided. National banks in reserve and in central reserve cities, which secure bankers' deposits, are in this respect analogous to the central banks of Europe. There are less than four hundred national banks in those cities, and by no means all of them secure such deposits. Concentrating attention on the central reserve cities, it is significant that in November, 1908, \$700,000,000 out of a total of about \$1,000,000,000 of bankers' deposits were held in New York. Nor is this all.

Very nearly all of these deposits were held by the six largest New York banks, and these banks held quite four-fifths of the total cash held by the New York national banks. These banks in accepting these enormous bankers' deposits have clearly incurred responsibilities similar to those of European central banks. But it is equally true that this responsibility is not so clearly recognized as it is in Europe. Indeed, it may be doubted whether it is perceived at all.

Now the question arises in what way a central bank would be at an advantage over this small number of banks in meeting crisis conditions, except in the one respect of the power to issue notes, and that, it may be observed once more, is not a power of practical utility in the case of the Bank of England unless the act of 1844 is suspended.

The national banks compete for bankers' deposits, offering interest and other inducements, while it is a universal rule among central banks to pay nothing for deposits. This makes it possible for the latter to hold large reserves and still earn reasonable profits. For many years after the practice was inaugurated in New York the policy was severely criticised, but long custom has led to its general acceptance. Nothing short of a law against interest payments upon bankers' deposits will be likely to remove this particular evil.

The fundamental difficulty in our present system, however, is due, not to insufficient cash reserves, but to the failure to use them in emergencies. Partly by law and even more by custom we have burdened ourselves with reserve restrictions which are unique in banking practice. To maintain a certain proportion between cash and deposit liabilities has become an object to which every other consideration has become secondary. It is, indeed, true

that a reserve requirement is desirable for normal times in a system which has thousands of banks. But it is equally important that the propriety of using reserves in emergencies should be recognized both in legislation and by public opinion. If one of the existing central banks were subjected to a restriction of this nature, suspension could not be avoided. Almost equal danger would be incurred in this country were the central bank unfettered in the use of its reserve, while the present restrictions remained in force as regards the other banks. The same scramble for funds that has characterized previous crises would unquestionably arise.

It may, however, be suggested that a central bank would be able to meet the situation by indefinitely large issues of notes. This is perhaps possible. But in that case the demand for a central bank becomes merely a demand for a device to secure elastic notes in order to retain a rigid reserve. It is submitted that elasticity in reserves is a far more natural and simple remedy. It might, however, be of advantage to provide an emergency circulation which would be taken out by any bank, under conditions which would not be so complicated as to render its use unlikely.

That our present reserve requirements are the chief cause of the suspension of cash payments is clearly shown by the course of events during the crisis of 1907. During the last two weeks of October, while the disturbance was almost entirely confined to New York City, the clearing house banks experienced a net loss of about \$40,000,000, and their reserves were \$53,000,000 below the twenty-five per cent requirement. Gold imports had been engaged, the Treasury was depositing surplus funds, and arrangements were being made to increase the note circulation. More money therefore was in sight. Demands

for money were being made in increasing magnitude by bankers in all parts of the country upon their New York correspondents. Thereupon cash payments were restricted. The New York banks at the time held \$224,000,000, and in the following three weeks allowed the reserve to fall off only \$9,000,000. Thereafter to the end of the year, while the currency premium continued, reserves were increased until they reached \$251,000,000.

The contention of bankers that suspension was unavoidable rested entirely upon the delusion that the reserve percentage is to be maintained though the heavens fall. Contrast with the action taken by the Bank of England is significant and at the same time humiliating. At the beginning of the crisis it had a banking reserve of \$125,000,000. In two weeks, chiefly on account of gold exports to the United States, it lost some \$40,000,000. The Bank of England then held only \$85,000,000, while the New York banks held over \$200,000,000, and yet no one in London even thought of the possibility that the Bank might suspend. The Bank had no more means of attracting funds than were possessed by the New York banks. In fact, it did not in the closing weeks of the year attract so much gold from other countries as was brought to New York. In London there was general confidence that the Bank of England would continue to meet its obligations. In this country, on account of experiences in former crises, that confidence was lacking. If, however, the six large New York national banks had announced at the end of October their united determination to meet all demands of their outside banking depositors, it cannot be doubted that confidence would have been strengthened and unnecessary demands would soon have diminished. Had this not proved to be the case, and had the payment of a hundred millions or more

proved unavailing, then suspension might have been resorted to as a means of security. The attempt, even if a failure, would not have involved disastrous consequences, since, when the banks suspend it matters little whether they hold a little more or a little less reserve. In any case, the reserve ceases to be available for use.

Progress in this direction, however, does not seem very likely. The fetich of a fixed reserve has apparently taken a stronger hold upon the community since the recent crisis. Trust companies and state banks are being brought under its sway. Unless there is a parallel development of right thinking about the uses and purposes of reserves, it may be confidently predicted that this legislation will tend to hasten rather than prevent suspension. Something might be accomplished if the proportion of reserve which may be deposited in city banks were diminished. An emergency currency would be of some assistance. But above all we must recognize that a reserve is to be used, not hoarded and increased, in time of crisis.

CENTRAL BANK—DISCUSSION.

HORACE WHITE: Something must be done to put an end to the periodical suspensions of the banks. The greatest evil attending them is the bad education they give. They tend to deaden the sense of commercial honor. Every such suspension is a license to every financial institution to scale its debts or postpone the payment of them. They assume the right to pay or not to pay according to their convenience. Some banks in such cases pay their own debts and those of their weaker neighbors also. Others refuse to pay even when they are able to. Each is a law unto itself for the time being, and the time is indefinite.

While the chaos continues the banks assume the right to pay their obligations with something which is not money. They pay with a rubber stamp, which is elastic in a double sense. Sometimes it is worth 100 cents, sometimes 90 or any price between. One day in the recent panic I went into the bank where I kept an account, and, meeting the president of it, I remarked to him that I had bought a small amount of currency in Wall Street at a premium of 4 per cent. He replied that it was lucky I was not compelled to buy a large amount, as he had just witnessed a purchase of \$500,000 at a premium of 6 per cent. If the purchaser in this case had required a million the premium might have been 10 per cent.

When the banks thus repudiate their obligations their depositors can hardly do otherwise. Frequently they are compelled to pay their workmen with stamped cardboard, which the latter force upon retail shopkeepers and street

peddlers at a loss to both payer and payee. All these things are done in disregard of law and in defiance of it. These breakdowns have been so frequent in the past fifty years that they are now regarded by many well-meaning people as a part of the natural course of things. Clearing house certificates and rubber stamps are looked upon as desirable *per se*—as something like Pond's Extract, or Peruna, which should always be kept in the house. The public mind is approaching the condition which prevailed in antebellum times, when banks that were under suspension continued business for years and actually declared dividends when they were not paying their own debts, and so continued until compelled by special acts of the legislature to resume. In short, these repeated occurrences tend to legalize commercial dishonor. We are already discredited abroad by them, and they are teaching the rising generation that a general suspension, with its progeny of illegal shinplasters, is a dexterous method of avoiding bankruptcy instead of being a shameful confession of it.

Another demoralizing effect of it is that when a crisis comes the speculators, who are most to blame for it, clamor for government aid. So common is this, and so vociferous and so generally expected, that the government even runs ahead of the speculators and offers help before they ask it. The remedy, however, may be only a prolongation of the disease. At all events the specimen given to us of this kind of government aid in the recent panic should serve rather for a warning than for an example.

What is it that makes clearing house certificates, and stamped cardboard, and a premium on currency necessary? The panic, of course. A trade reaction, and a bank panic, although closely allied, are two different things. Canada had a trade reaction last autumn, as se-

vere, and of the same kind, as our own, but she had no panic. Most of the countries of Europe had trade reactions akin to ours, but no general bank suspensions and no runs on banks by depositors, or by banks on each other. We had runs of both kinds, beginning with the latter.

The run by the depositing banks on the reserve banks began about a week before the individual depositors learned that there was any trouble. And after the individual depositors took the alarm their demands upon the banks were more moderate than those of the banks upon each other. The danger of suspension to a banker is more imperious and terrifying than to an individual. To the banker it is a leap in the dark. He will avoid it by every means possible. The instinct of self-preservation prompts him to fortify himself with cash, and to this end he draws the balances which he holds in other banks. Each one thinks that if he should refrain from doing so others would not. Would his depositors applaud him for sacrificing himself and them for the general good? On the contrary, they would call him a fool and would transfer their accounts elsewhere.

The first step toward reform is to take away the motive which impels the banks to make runs upon each other. How is this to be done?

The main difference between ourselves and those countries which did not have a panic and general suspension last year was that we had greater resources with inferior bank credit, while they had inferior resources with greater bank credit. The wealth of Canada is much less than ours. Moreover, the wheat crop of Canada last year was in part frosted and under suspicion, while ours was sound. Yet Canadian bank credit was not shaken. The banks did not make runs on each other, therefore the pub-

lie did not make runs on the banks. There are no country banks in Canada as we understand that term,—only branches of thirty-five city banks, the heads of which are near enough to each other to secure unity of action.

In European countries generally credit is fortified by a central bank, which has the power of issuing circulating notes limited only by its cash reserve and its commercial assets. Usually the central bank is allowed to establish branches at its own discretion. Its principal function is to discount any and all bills of exchange which bear two or more names and which represent actual business transactions. The fact that there is such a bank easily accessible is a guaranty that no sound business can suffer for the want of banking accommodation, and that every secondary bank can get its own bills of exchange rediscounted, if need be. Therefore the ingredients of a panic do not exist. Speculators may fail, unsound business may collapse, but there will be no clearing house certificates, no stamped cardboard, no premium on currency.

If there is any way to abort a panic before it begins, other than the branch bank system of Canada, or the central bank system of Continental Europe, I do not know what it is. Which of the two ought we to prefer?

If we had *carte blanche*, if we were now beginning to create a system, I should certainly choose the Canadian plan, because we know exactly how that system works in a territory like our own, which is in part populous and wealthy, and in part scattered, thinly peopled, and relatively poor. But the branch system of Canada is the very *bête noire* of our rural banking fraternity. I participated in a joint debate on branch banking a few years ago at a bankers' convention in Kansas City. I favored branch banking and my competitor opposed it. It seemed

to me that I had all the argument and he had all the votes. I became satisfied that branch banking can never be introduced in this country until the bankers of the smaller communities are convinced that they will not be snuffed out or materially harmed by branches of the large city banks established alongside of them. You can never induce Congress to vote for anything that the small banks are generally and strongly opposed to.

The central bank system, to be really efficient, must be allowed to have branches also, and to choose the places where they shall be situated, but it is not necessary that these branches should compete with local banks for local business. The very *raison d'être* of a central bank is to lend aid to local banks, to re-discount for them and to fortify bank credit generally, so as to prevent panics and runs. Moreover, it is practicable to make the local banks the owners of the central bank, so that its power to do them injury (if it could ever have a motive for doing so) would be nil. It is also practicable to have the government control the central bank either partially as in France, or wholly as in Germany.

Time does not permit me to go into details, and I acknowledge that this question is one mainly of details. How to make the benefits of the central bank ramify all parts of the country is a problem to be solved. I do not affirm that it can be done. Neither can anybody affirm that it cannot be done. It is a problem fit to engage the attention of the present Currency Commission and I am glad to know that they appreciate both its relevancy and its magnitude.

JOSEPH FRENCH JOHNSON: I am in agreement in the main with what has been said by Mr. Warburg and Mr. White, but am not altogether in harmony with the views

and opinions expressed by Professor Sprague. In my opinion the panic of October, 1907, was due, not to the policy followed by the banks in New York City, but to the weakness of our banking system as a whole. The bankers of New York are as able and prudent as the bankers of any city in the world, and they did all that any set of men in their positions could have done to avert the panic. They were unsuccessful simply because it was not possible for them, except by suspension of cash payments, to prevent the banking reserve of the country from being scattered and thereby made ineffective.

The greatest defect of the banking system of the United States is its lack of unity and solidarity. This defect can be remedied either by the adoption of a branch banking system or by the establishment of a central bank under government control. Branch banking is not in favor in this country for the reason that the thousands of small banks in the country naturally regard it as antagonistic to their interests. On account of their opposition any discussion of the advantages of branch banking in the United States is and probably always will be purely academic. Politically it stands no chance whatever. It is a mistake, however, to assume, as some people do, that a proposition to create a central bank of issue under government control can never receive approval. This country has never had any experience with such an institution, for the government had practically no voice in the management of the First and Second Banks of the United States. If the bankers of this country can be made to understand that the government, by engaging in the banking business in some such way as is suggested by Mr. Warburg, will be able to guard and promote the financial interests of the people, helping rather than hurting existing banking institutions, and giving our banking

system a unity and stability it now lacks, the idea will speedily win favor with bankers and then with politicians.

There is a double banking problem in the United States: (1) a more elastic currency; (2) a better control of loanable funds. The average banker in the United States does not clearly see the connection between his lending power and the savings of the people. He measures his lending power by the amount of his cash on hand plus his credit balances in other institutions. On account of his isolation he is familiar only with the needs of his own community and is incapable of forming an accurate judgment with regard to the demand for and supply of capital in the country as a whole. Hence at times, governed purely by local conditions, he makes advances boldly when general financial conditions demand that he be cautious and conservative. A central bank of issue with branches doing business in all the important cities, would serve, not merely as a clearing house for bank notes but also as a clearing house of information with regard to the country's financial needs and prospects. In my opinion the subject of banking reform is one to which the economists of the United States ought to give most serious attention. Economists and practical bankers, working together, ought to be able to develop a system which will forever prevent the recurrence of such a panic as that of October, 1907.

THE WORK OF THE NATIONAL MONETARY COMMISSION.

A. PIATT ANDREW.

I am glad to have an opportunity to tell the members of this Association something about the work of the National Monetary Commission, with which I have the honor to be associated. This work, which has been quietly carried on during the past six months, is of course primarily interesting because it is preparing a foundation for legislation upon one of the most important subjects which has ever occupied the attention of Congress. But the work will also interest members of the Association because there will be made in the course of the coming year, in the Commission's report to Congress, a very significant contribution to the scientific literature of banking. It is more particularly in regard to the latter phase of the Commission's work that I am able to give some information today.

When, soon after the passage of the so-called Aldrich-Vreeland act, Senator Aldrich and his associates set about to organize the work entrusted to them, they knew from their abundant experience in the debates preceding the passage of that act that there was more than one banking problem clamoring for settlement, and that the number of proffered solutions for each of them was legionary. They recognized, furthermore, that no satisfactory and permanent plan for reorganizing our banking system was likely to be selected without a much more thorough examination of conditions, both here and in other countries, than had yet been made. Very wisely, therefore, they

proposed to devote a year, or a year and a half, or whatever time might be necessary, to investigation and to securing information before attempting to frame any law. This foundation work has been carried on now for more than six months, and, as no public statement has yet appeared with regard to it, you will doubtless be interested to know something about its method and scope.

At the first session of the Commission, which was held at Narragansett Pier, in July, it was voted to send representatives of the Commission to the leading countries of Europe to collect information with regard to the organization of banking in these countries, and a sub-committee for this purpose was appointed, which sailed early in August to carry out the plan. We spent the greater part of the three following months in England, Germany, and France, instituting inquiries in each of those countries by several methods: (1) by stenographically reported interviews; (2) by specially prepared monographs and reports from writers of financial authority; and (3) by specially collated statistics.

The interviews were held with the managers or directors of most of the large banks of England, France, and Germany, with the idea of ascertaining at first hand the exact nature of the business conducted by them, the laws and customs governing their operations, and the practical relations of the different sorts of banks with each other. They were informal, but were conducted more or less uniformly along a prearranged plan, and in most cases were stenographically reported. After having been presented to the persons interviewed for correction, a transcript of these interviews will be embodied in the Commission's report to Congress, and will, I am sure, be of great interest and value to American students of financial matters.

In London such interviews were held with Governor Campbell and several directors of the Bank of England, with Mr. Edward H. Holden of the London City and Midland Bank, with Mr. R. W. Whalley of Parr's Bank, with Sir Felix Schuster of the Union of London and Smith's Bank, with Mr. Charles Gow of the London Joint Stock Bank, with Lord Swaythling, and with representatives of the London and Westminster Bank, the National Provincial Bank, the Hong Kong and Shanghai Banking Corporation, the Bank of Liverpool, the Swiss *Bankverein*, and other institutions.

In Berlin interviews were held with the officers of a dozen different varieties of banks, including the president and directors of the *Reichsbank*, and directors of the *Deutsche Bank*, the *Dresdner Bank*, the *Disconto Gesellschaft*, the *Handels Gesellschaft*, the *Royal Seehandlung*, the *Pfandbrief Bank*, the *Preussische Central Bodenkredit Actien Gesellschaft*, the *Preussische Central Genossenschafts-Kasse*, the *Schultze-Delitsch Genossenschaften*, the *Berliner Sparkasse*, the *Kur- und Neumärkisches Ritterschaftliches Kredit-Institut*, the *Berliner Kassen Verein*, and representatives of various private banks as well.

In Paris interesting conferences were held with M. Pallain, governor of the *Banque de France*, and with representatives of the *Crédit Lyonnais*, the *Comptoir D'Escompte*, the *Société Générale*, the *Banque de Paris et des Pays-Bas*, the *Crédit Foncier*, the *Crédit Agricole*, the *Caisse des Dépôts et Consignations*, and the *Caisses d'Epargne*.

In the second place, in each of these countries an attempt was made to secure the coöperation of leading authorities in preparing reports covering important phases of their banking history and banking practice. In Eng-

land the Commission secured contributions from such men as Professor H. S. Foxwell, lecturer in the London School of Economics; Mr. Hartley Withers, financial editor of the *London Times*; Mr. Francis W. Hirst, editor of *The Economist*; Mr. George Paish, editor of the *Statist*; Mr. Robert Martin Holland, honorable secretary of the clearing house; Mr. Ernest Sykes, of the Central Bankers' Association, and Mr. R. H. I. Palgrave, whose work in this field certainly needs no description.

In Germany, under the advice of such authorities as Professor Conrad of the University of Halle, Professor Riesser of the University of Berlin, and Dr. Von Lumm of the *Reichsbank*, a series of volumes have been selected for translation, which cover comprehensively the history and operations of the various kinds of banks in that country. These translations will include the twenty-fifth anniversary volume of the *Reichsbank*, published in Berlin in 1900, a large number of the more recent discussions with regard to the renewal of the *Reichsbank* privileges, the well-known work of Professor Riesser upon the history of the large German banks, and a selection of other works upon mortgage banks, *Landschaften*, *Rentenbanken*, *Landeskultur-Rentenbanken*, *Genossenschaften*, savings banks, and special phases of German banking, such as the history and regulation of the German Bourse, and the organization of the German money market. In the list of contributors are included well-known names in this field like Lexis, Stroell, Koch (the late president of the *Reichsbank*), Hecht, Hermes, Schachner, Seidel, and others.

In France the Commission has secured the assistance of M. André Liéssé, professor in the *Conservatoire National des Arts et Metiers*; M. Albert Aupetit, head of the archives of the *Banque de France*; M. Lefevre, head of the

archives of the *Crédit Lyonnais*; M. Vidal, editor of *La Cote de la Banque et de la Bourse*, all of whom are contributing monographs on different phases of banking in their country.

At the same time, leading authorities have been engaged to discuss the organization and history of banking in other countries, notably Switzerland, Japan, Sweden, Canada, Mexico, Austria-Hungary, Russia, and Holland.

In the third place, the Commission has also undertaken in the more important countries to secure statistics with regard to the operations of all the banks, with regard to movements of trade, shipments and receipts of gold, the relative use of money and credit in making payments, and with regard to the growth of population, business, wealth, and commerce. These statistics are being collected upon a uniform scheme for all countries concerned so that ready comparison will be possible.

Finally, as regards the United States, a similar collection of material has been gotten under way in this country. Monographs have been engaged from authorities known to you all, covering as thoroughly as possible every important phase of American banking. In connection therewith a very comprehensive series of statistics is being arranged for with the assistance of the Bureau of Statistics, the Comptroller of the Currency, and the various supervisors of state banks, together with the editors of the *Commercial and Financial Chronicle* and other leading journals, which it is believed will contain considerable information that has never been gotten together before. Especially interesting will be the reports which we are endeavoring to collect from the leading banks of the country with regard to their shipments and receipts of cash, which will throw light upon the extent of the seasonal fluctuations in the demand for currency in dif-

ferent parts of the country. Another inquiry which the Commission is making, not only with the banks of the United States, but with those of England, France, and Germany, is as to the proportion of cash and currency substitutes in their receipts for a series of days. We hope from this investigation to be able to present comparative tables showing statistically the relative importance of the check and deposit system in all of these countries, a statistical comparison which has never been made before. Another plan of the Commission is to secure a uniform and simultaneous statement of condition from all of the national, state, and private banks and trust companies in the country according to a specially prepared schedule of resources and liabilities. No like inquiry has ever been attempted before. I merely allude to a few of these arrangements in passing. There are other lines of inquiry equally worthy to be signalized, which the limits of time will not permit my even mentioning.

Such is, in briefest outline, the plan for the foundation work of the Monetary Commission. What form the superstructure may take, of what material it may be made, or whether the design and material selected will prove ideal from the point of view of theory or practice, these are questions which can only be answered in the future. With regard to this preparatory work, however, upon which the final edifice is to be built, there can be no two opinions, for neither time nor expense nor effort are being spared to make it thorough and substantial.

This great collection of information will, of course, not be reserved for the Commission or Congress. It will in due season be placed at the disposal of the public, and the Commission hopes that intelligent men everywhere will take advantage of the opportunity to study the conditions and experiences of other countries and coöperate

with them in devising a banking system worthy of America's position in the world, and comparable to her resources. The problem of framing an act which will remedy the defects in our existing system in a practicable manner, which will include some of the best features of other systems without disregarding the differences in American conditions and traditions, which will draw under its influence not only our 7000 national banks, but the 12,000 other banks as well, and which will meet the needs of all sections of the country, and of the different interests within those sections, this indeed is a formidable problem which would only be approached by men of optimistic beliefs and which can only be resolved through the confident coöperation of men of intelligence everywhere in the country.

CONTROL OF THE CAPITALIZATION OF PUBLIC SERVICE CORPORATIONS IN MASSACHUSETTS.

C. J. BULLOCK.

Control of capitalization is a highly desirable, if not an indispensable, concomitant of governmental regulation of the operation and charges of public service corporations. Legislatures or commissions may act without regard to outstanding securities, and courts may pass upon the reasonableness of such action without considering the capitalization of the corporations affected by it. But it is clear that some problems can be greatly simplified and certain difficulties wholly avoided if our legislation proceeds upon the principle of locking the door of the stable before the horse strays or is stolen.

Massachusetts was the first state to undertake systematic control of the issue of securities by public service companies, and her laws have been in force a sufficient time to afford a fair test of their wisdom and efficacy. The policy of the state has been generally approved by economists and publicists, and until recently has encountered little criticism except from representatives of public service corporations. We have had, however, very little serious investigation of the subject; while there has been a tendency to make a fetich of the "anti-stock-watering laws", and to suspect that sinister motives actuate anyone who casts doubt upon their sanctity or universal efficacy. For this reason, and in view of the fact that other states are beginning to legislate upon the subject, it seems worth while to invite attention to the policy pursued by Massachusetts.

I.

The general policy of Massachusetts has long been to require that shares in the capital stock of public service corporations shall be issued only for cash and at not less than their par value.¹ Passing over the period when such matters were governed wholly by special charters, we find that in 1852 railroads were expressly prohibited from issuing stock for less than its par value,² and that a few years later the same restriction was placed upon all other corporations.³ Subsequent legislation has but strengthened this requirement by iteration and reiteration, by express prohibition of stock and scrip dividends, and by creating state commissions to supervise public service industries and enforce compliance with the law.⁴

That these statutes have never been violated in any degree, cannot be maintained; that in one devious way or another organizers of companies have sometimes managed to secure a profit not contemplated or permitted by the law, is generally believed; but it cannot be doubted that Massachusetts has in the main succeeded in confining

¹ Only manufacturing and mercantile corporations are allowed to issue shares for anything except cash, and that since 1875. Ch. 177 of 1875. Under certain conditions water and aqueduct companies may take property in payment for shares. Ch. 380 of 1894.

² Ch. 303 of 1852.

³ Chs. 167 of 1858 and 104 of 1859; General Statutes (1860), ch. 68, sec. 9. In 1851 the general incorporation act for manufacturing corporations had prohibited these companies from issuing stock for less than par. Ch. 133 of 1851.

⁴ The present law may be found in the Revised Laws, ch. 109, secs. 19-28, and ch. 463 of 1906. Stock and scrip dividends were expressly prohibited by chs. 310 of 1868, 389 of 1871, 372 of 1874, and 350 of 1894. The railroad commission was created in 1869, and the gas and electric light commission in 1885. Directors of gas and electric light companies and of street railways are liable for debts contracted before the capital is fully paid in. Revised Laws, ch. 110, secs. 58-63; ch. 463 of 1906, part III., sec. 29.

stock issues of public service corporations to amounts representing approximately the actual money contributed by the stockholders. It is equally certain that the general results of this policy have been wholesome, and beneficial to the companies as well as the public. The public service corporations of Massachusetts have greater stability than they would have possessed if promoters and managers had enjoyed unlimited freedom in the issue of capital stock, and their securities bear a higher reputation as safe and conservative investments. After making all allowances and qualifications, it is a fact of great significance that the average capitalization of street railways in Massachusetts in 1902 was ascertained by the census to be less than half the average capitalization of such corporations in the country at large.⁵

But though the general results have been beneficial, it seems clear that at one point the law has been too rigid. The absolute prohibition of the issue of stock at less than par makes it difficult and sometimes impossible for an unsuccessful company to rehabilitate itself. Exceptional loyalty to a corporation and faith in its future are needed to induce stockholders to subscribe at par for shares worth at the time of issue very much less than that figure. Since 1902 Massachusetts corporations have been permitted to issue preferred stock,⁶ and at least one public service company that was unable to find a market for its common stock has been able to raise the capital it needed by an issue of preferred. But this is practicable only

⁵ The average capitalization in the United States was \$96,287 per mile of track; in Massachusetts it was \$45,600. Report on Street and Electric Railways (1902), p. 51. Only states with an insignificant proportion of urban population showed a lower average than Massachusetts, while states having a similar proportion showed average capitalizations ranging from \$103,267 to \$177,532 per mile.

⁶ Ch. 441 of 1902.

where earnings show some surplus above operating expenses and fixed charges; and, unfortunately, there are companies, particularly street railways,⁷ that cannot make such a showing. In these cases, after credit is impaired, no course is open except to await consolidation with some more prosperous company.

For such mergers the law offers inducements that sometimes contrast strangely with the policy of the commonwealth at most other points. Street railways, for instance, are permitted to consolidate subject to the approval of the railroad commissioners; and the law provides merely that in the process there shall be no increase in the aggregate issues of stock and bonds.⁸ The result is, ordinarily, that persons controlling a prosperous railway buy up the entire stock of an unsuccessful company, presumably at a low price. This stock is then exchanged, on a share-for-share basis, for new stock of the prosperous company, and the aggregate capitalization is not increased. The railroad commission permits this⁹ because it believes that the rehabilitation of unsuccessful companies is beneficial to the public. This it undoubtedly is; and, since the law makes such undertakings difficult or impossible in any other way, the general policy of the board is to be commended, even though in particular cases the profits from such operations have been excessive. But it is evident that the issue of new stock upon the share-

⁷ About half of the Massachusetts street railways, chiefly the smaller ones, are paying no dividends; and not a few are barely earning enough to cover operating expenses.

⁸ Ch. 463 of 1906, part II, secs. 52 and 53. The laws governing consolidation of railroads and gas and electric lighting companies are somewhat similar, but not the same at all points. Chs. 392 of 1906 and 463, part I, sec. 67.

⁹ In case of a foreclosure sale, the commission restricts the issue of new stock to an amount equal to the purchase price. Otherwise exchange takes place upon the share-for-share basis.

for-share basis amounts to nothing more than its issue for less than its par value in cash, and that the law might just as well permit the thing to be done directly as to compel it to be done by indirection. It is clear also that a statute intended to safeguard the public interest may close the front door of the stable with such violence as to force the back door wide open.

In fact, it would be better for the law to provide that a company which has reached the end of other resources should be allowed, with the approval and under the supervision of the proper commission, to raise needed capital by an issue of stock at less than par. At present the stockholders in an unsuccessful company have no practicable alternative but to sell their holdings to persons in control of some more fortunate concern, and it goes without saying that in such a forced sale they negotiate at a serious disadvantage. It is probable, also, that the present method of effecting consolidations has permitted railways earning larger profits than they considered it wise to disburse in dividends to purchase worthless lines and then distribute their surplus earnings over a larger capitalization. Finally, it should be said that such a method of distributing surplus earnings may be grossly unfair to the minority interests in the prosperous corporations. When a coterie of directors with a few of their friends purchase the stock of the bankrupt road and exchange it at par for new stock in their own company, it is evident that the earnings formerly withheld are now distributed to the few stockholders who were let into the deal, and permanently withheld from all others. One of the early consolidations brought out a protest from the minority interest, and the railroad commission did not permit the new stock to issue until an adjustment had been made that was satisfactory to all parties. Similar protection would un-

doubtedly be given by the board in any other case, but the ignorance or apathy of small stockholders has allowed certain mergers to be carried through upon terms manifestly unfair to minority interests.

II.

Naturally enough, restrictions upon indebtedness have accompanied restrictions upon the issue of capital stock. Usury laws have survived in the requirement that no corporation shall issue bonds bearing over seven per cent interest,¹⁰ and the further restriction of gas and electric lighting companies to bonds paying not more than six per cent per annum.¹¹ Gas companies are expressly forbidden to issue bonds at less than their par value,¹² but the statutes do not prohibit other corporations from issuing bonds at a discount. This practice, however, is discouraged by the railroad and the gas and electric light commissions.

These commissions have control of the amount of stock and bonds that railroad, street railway, gas, and electric lighting companies can issue, and they have consistently refused to permit a company to capitalize discount on bonds. This is upon the theory that the purpose of the law is to confine the capitalization of public service corporations to the amount of money actually invested in their properties, and that discount on bonds cannot be considered money thus invested. The result is that the companies must either issue bonds at such rates of interest that bankers will purchase them at par, or issue them at less than par and in some way make good the discount. It is interesting to observe that at this point the policy of the commission is different from that followed by the New

¹⁰ Revised Laws, ch. 73, sec. 3.

¹¹ Revised Laws, ch. 121, sec. 10.

¹² *Idem.*

York Public Service Commission of the Second District.¹³

Under the rulings of the Massachusetts Commission it is evident that a company would naturally prefer to issue bonds on such terms that they would sell at or about par. But this is not possible when the bonds put on the market in any year are part of a larger issue, the general terms of which have been arranged some or many years previous; nor in arranging future issues, to be sold in installments when needed, is it possible to fix a rate which will enable every installment to find purchasers at par. Accordingly Massachusetts companies sell bonds at a discount when they must. They then make up the discount out of future earnings, or else endeavor to smuggle this item into estimates of construction work, purchased property, and other things which they are allowed to capitalize. The accounts of some of the companies show that discount on bonds has been prorated over the period for which the bonds run, and money annually set aside from earnings sufficient to make up the amount at maturity. There are rumors that this item has been otherwise adjusted by some corporations.

When one considers that the actual rate of interest will be the same whether five per cent bonds are sold at par or four and one-half per cents are sold at a discount, it is hard to see why the commissions have ruled as they have. The important thing is that the companies secure the most favorable rates obtainable, and this is all that the commissions need have insisted on. Under their rulings, if bonds have to be sold at a discount the balance of the money needed for the work in hand is raised by short-time loans, and the company may actually pay a higher rate of interest on these loans than it would have

¹³ See opinion hereafter quoted.

had to pay upon bonds. By this method, then, the interest charges may be increased, while the short-time loans may at any time cause embarrassment to the company.

The borrowing power is further restricted by limitations upon the amount of what the law considers the permanent debt. Following a principle long embodied in the laws relating to manufacturing corporations,¹⁴ the act of 1854, which authorized railroads to issue bonds, provided that such issues should not exceed "the capital stock actually paid in."¹⁵ Similar restrictions were subsequently placed upon other public service corporations. Telegraph or telephone companies may not contract debts exceeding one-half of their capital stock;¹⁶ gas and electric light companies may not issue bonds in excess of their capital actually paid in;¹⁷ and railroads and street railways may not issue "bonds, coupon notes, or other evidences of indebtedness payable at periods of more than twelve months from the date thereof", to an amount exceeding their paid-up capital stock.¹⁸

The wisdom of limiting the permanent debt to a certain proportion of the total capitalization is not open to question, and has never been the object of serious criticism. It is possible, however, that the proportion fixed for telegraph and telephone companies is too low, and may have contributed to the removal of a large telephone company from the state. Railroad and street railway companies prior to 1908 found just cause for complaint in the restriction of their bonds and coupon notes to an amount

¹⁴ The law required that the debts of such companies should not exceed the capital stock paid in. Ch. 53 of 1829; Revised Statutes, ch. 38, sec. 25.

¹⁵ Ch. 286 of 1854.

¹⁶ Ch. 217 of 1851; Revised Laws, ch. 122, sec. 7.

¹⁷ Ch. 346 of 1886, sec. 3; ch. 371 of 1890; Revised Laws, ch. 121, secs. 10 and 12.

¹⁸ Ch. 463 of 1906, part II, sec. 48, and part III, sec. 108.

equal to the par value of their stock, whereas a considerable portion of that stock has been issued at substantial premiums. Relief was given by a recent act of the legislature¹⁹ which authorized railroads and street railways²⁰ to issue bonds and coupon notes to an amount equal to the par value of their capital stock plus "all cash premiums" paid into their treasuries on shares issued in accordance with a law enacted in 1894, which will be subsequently mentioned.

A most singular fact remains to be noticed. While bonded debt has been limited very strictly, in a manner sometimes reasonable and sometimes arbitrary, practically no restrictions have been placed upon the power of public service corporations to pile up floating debt.²¹ In fact, unreasonable regulations at other points have in some cases compelled them to follow this line of least resistance, even when they would have preferred to finance their undertakings in a safer and more conservative way. Railroads and street railways can borrow all the money they please, and for any purpose, provided they make their notes payable in twelve months or some shorter period; other companies, in addition to this, can issue without restriction coupon or other notes running for several years, which may be somewhat safer than obligations payable within shorter periods but are often a source of embarrassment to corporations. The commissions have no power to prevent a company from borrowing money for

¹⁹ Ch. 620 of 1908.

²⁰ Gas and electric light companies made no complaint since they issue few bonds and are not restricted in the issue of coupon notes as railroads and street railways are.

²¹ There is a provision that any director or officer shall be liable to fine or imprisonment for voting to incur "any debt or liability except for the legitimate purposes of the corporation", but, even if intended to meet this case, it seems to have been inoperative up to the present time. Revised Laws, ch. 109, sec. 28.

the payment of dividends, or for making good the ordinary depreciation of its property; and there is reason to believe that both of these things have been done in not a few instances. Apparently the state has been watching the front door of the stable so intently that it has forgotten the very existence of the back door.

In some cases resort to the back door has been absolutely necessary on account of unwise and unreasonable restrictions upon the use of the front door. A large railroad was obliged to borrow money on its notes at eight per cent interest because it could not sell new stock at the high premium fixed by the railroad commission, and was unable to issue bonds in excess of the par value of the outstanding stock, even though part of that stock had been issued at premiums that had added many millions to the real capital of the corporation. Street railways, when beginning operations, have been obliged to issue notes running for twelve months or less, in order to raise the necessary working capital, because the commission does not permit the issue of stock or bonds for this purpose. It is not creditable to the state that public service corporations should ever be put to such shifts.

There is another class of cases in which part of the responsibility for unsound finance rests upon the managers of the companies. A corporation that has enjoyed fair credit and managed to pay dividends finds its earning power gradually or suddenly impaired. If dividends are forthwith reduced or suspended, as they should be unless the impairment is clearly seen to be due to temporary causes, the credit of the company suffers and the stock falls below par—perhaps very far below. As soon as this happens, it becomes impossible to raise capital for necessary improvements or extensions by the issue of stock, since the law provides that stock shall not go out except at par in cash; and the managers are therefore sorely

tempted to maintain dividends even though money has to be borrowed for that purpose. How often this has happened is, of course, difficult to determine; but there is reason for believing that the practice is not unknown, and it is clear that at this point the ironclad prohibition of the issue of capital stock at less than par creates a situation which encourages, if it does not compel, resort to unsound finance.

In 1907 the capital stock and funded debt of the street railways of Massachusetts amounted to \$132,619,000, while the unfunded debt was \$21,228,000, or nearly one-sixth of the capital stock and funded debt. That this proportion of floating indebtedness is excessive, and a matter worthy of serious consideration, will be denied by no one familiar with the conditions and prospects of the street railways of the state. The steam railroads operating in Massachusetts in 1907 reported unfunded debts that amounted to less than one-tenth of their issues of stock and bonds; while all the roads reporting to the Interstate Commerce Commission in 1906 showed "current liabilities" amounting to less than one-twelfth of their permanent capitalization. It is impossible in this paper to consider what action the state should take to improve the condition of certain street railways; but that some action must be taken before long is hardly open to question. At certain points it may be necessary to make less onerous the conditions upon which stock and bonds are issued; in some cases an increase of fares may be inevitable; but when either or both of these things are undertaken something should be done to insure thorough supervision, if not control, of the floating debts of the companies.

III.

Since 1894 the commissions have had control of the amount of securities that public service corporations can

issue for any or all purposes. Only such amounts of stock and bonds can be issued as the commissions may determine to be "reasonably necessary" for the purpose for which they are authorized; and in the case of railroads and street railways the limitation extends to "coupon notes and other evidences of indebtedness payable at periods of more than twelve months" from the date of issue.²² Railroads and street railways must apply to the railroad commission; gas and electric light companies, to the gas and electric light commission; and telephone, telegraph, aqueduct, and water companies, to the commissioner of corporations.

To determine the amount of securities "reasonably necessary" in any case, the railroad commission is expressly empowered,²³ whenever "the public interests require" it, to "employ competent experts to investigate the character, cost, and value" of the property of any company. The commissioner of corporations and the gas and electric light commissions are apparently expected to rely upon their ordinary office force. Corporations are explicitly prohibited from applying the proceeds of stock and bonds "to any purpose not specified" in the certificate obtained from the commissions; directors, officers, and agents who knowingly issue securities in violation of the statute are liable to punishment by fine or imprisonment, or both; and the supreme judicial court is given jurisdiction in equity, upon application of the commissions, the attorney general, or any interested person, to enforce compliance with the law.

An inevitable incident of this control over the amount of a corporation's capitalization has been control over the purposes for which securities shall be issued. In the

²² Chs. 450, 453, and 462 of 1894; 337 of 1897; 463 of 1906, part II, secs. 65-68; Revised Laws, ch. 109, secs. 24-28.

²³ Ch. 463 of 1906, sec. 1.

theory of the law the purposes for which stocks and bonds may be issued are determined by special acts or the general corporation laws; and this implies that the commissions, in passing upon applications by the companies, shall withhold their consent in any case where the securities are for a purpose not authorized by law. In any event the commissions exercise that power; and since the statutes sometimes define in very general terms²⁴ the purposes for which securities may issue, a great deal is left to their discretion.

Both the railroad and the gas and electric light commissions refuse to permit securities to be issued for discount on bonds. Both refuse to recognize such an item as compensation for promoters, although under the head of necessary legal and engineering expenses these crafty but indispensable persons sometimes manage to secure a "living wage". If they desire more than this they must purchase construction materials when cheap, and apply for an issue of securities when higher prices justify a higher estimate of the cost of construction work. In these and perhaps other ways it is rumored that a promoter's profit of from ten to fifteen dollars per share is sometimes secured by methods involving no excessive strain upon a conscience of average sensitiveness. The railroad commission has apparently disapproved of the issue of stocks or bonds to provide working capital, but the gas commission permits this item to be included in a company's original capitalization. In all of these matters there has been more or less friction between the companies and the commissions.

The issue of bonds at a discount has already received sufficient attention. The compensation of promoters is

²⁴ Thus street railways are authorized to increase their stock and bonds for sixteen specific objects, and "for other similarly necessary and lawful purposes". Ch. 463 of 1906, part III, sec. 103.

always a difficult question; but it seems clear that the promotion of solid enterprises is a legitimate and useful function for which reasonable compensation should be allowed, and it is better that such allowance should be made openly and directly than that it should be secured in other ways. The policy of the railroad commission in regard to working capital is not altogether easy to understand. Nothing in the statutes seems to prevent the board from ruling that materials, supplies, and a bank account are necessary for the operation of any business concern, and are, therefore, proper items to be included in its capitalization. Undoubtedly a company that has impaired its capital by paying excessive dividends should not be permitted to issue stocks and bonds to provide new working capital. Reduction of dividends rather than capitalization of deficits is the obvious remedy for such a situation, and it is possible that the policy of the board was originally adopted to meet such cases as this. But with a new company or an established company that is enlarging its business the conditions are different, and there is no justification for a refusal to include working capital in the estimate of the necessary cost of the undertaking. Upon this point, as upon the questions of promoter's compensation and the issue of bonds at a discount, a wiser and more reasonable policy has been adopted by the New York Public Service Commission of the Second District.²⁵

²⁵ The decision of the Commission is so important that it should be quoted *in extenso*: "When the amount of the actual cost of the physical construction of the proposed road has been determined we are still far from having determined the amount of capitalization which should be allowed. There are many elements of cost attendant upon bringing into existence a new railroad additional to the cost of mere physical construction. Some of these elements may be enumerated as follows: (1) expense of organization, (2) incorporation tax, (3) expense of obtaining a certificate of public conveni-

IV.

The terms upon which a company may increase its capital stock have constituted the most troublesome problem the state has encountered in its control of the capitaliza-

ence and necessity, (4) preliminary engineering expenses, (5) expense of procuring the authorization of issue of stock and bonds, (6) expense of marketing the securities, (7) discount upon the bonds provided they cannot be sold at par, (8) interest upon the bond issue during the period of construction and prior to the beginning of operations, (9) compensation of officers of the road during the construction period, (10) incidental expenses during construction period, (11) expense of obtaining local franchises and consents.

In addition to the foregoing matters there should be provided upon the commencement of operation a fair and reasonable amount of working capital. The operation of the company can be conducted with far greater efficiency, more to the satisfaction of the public, and with better results to the stockholders, if it has at all times in its treasury a working capital sufficient and adequate to meet the requirements of the road. Experience has demonstrated this so many times that insistence upon it or elaborate demonstration of its truth is not required at this time.

Another subject of great interest and importance is the compensation, if any, to which the promoters of the enterprise should be entitled for their services. Promotion has been so extensively abused and has been so universally used as a cover for abuses in capitalization that it has come to be regarded as a term of reproach and as a device to work schemes of robbery upon the investing public. No reason is apparent why this should necessarily be so. The honest services of a capable promoter are indispensable to the flotation of every comprehensive and far-reaching scheme of development in the railroad world, or elsewhere. A clear vision to see opportunities, ability to demonstrate them to others, and energy to push to completion works untried but of great moment, are indispensable to material development and should be fairly and even liberally rewarded by the public which receives the benefit of those works. Such rewards, however, should be put upon a clear basis of business principle, should be of sufficient magnitude to encourage rather than to discourage enterprise, and should not be so great as to make an exorbitant demand which is perpetual in its nature upon the community to be served. They are to be treated simply as just payment for services performed for the corporation, which services are valuable and in many cases even indispensable. Such services

tion of public service corporations.²⁶ Prior to 1871 the invariable practice seems to have been to permit new shares to issue at par, whatever the market value of the outstanding stock.²⁷ But in 1871 a law was enacted²⁸ which required a railroad to offer all new shares for sale at public auction when the outstanding stock was worth more than par. The purpose of this statute was evidently to force the sale of new stock at such premiums as the status of the companies and general market conditions should enable it to command, and to abolish such things as stockholders' "rights". In 1873 the same requirement was placed upon street railway and gas companies.²⁹

The wisdom of this action was vigorously assailed by the railroad commission in 1872.³⁰ The board pointed out that the avowed policy of the state had been to allow capital invested in railroads to obtain a profit of ten per cent,³¹ if good management enabled the companies to

should be paid for upon the basis of what they are fairly worth, having regard to all the circumstances of the case."

Opinion of the Public Service Commission of the Second District in regard to the application of the Rochester, Corning, Elmira Traction Company, pp. 11-12.

²⁶ On the history of legislation concerning new stock issues see the Report of the Commission on Commerce and Industry (1908), pp. 57-60; Grosvenor Calkins, in *Quart. Jour. of Econ.*, XXII, 640-644.

²⁷ Until 1870 railroad issues were authorized by special acts. In that year a general law was enacted which allowed all classes of corporations to offer new shares to stockholders at par, and to sell at public auction any shares not subscribed for. Ch. 179 of 1870.

²⁸ Ch. 392 of 1871.

²⁹ Chs. 39 and 305 of 1878.

³⁰ Report of 1871, pp. XIX to XX.

³¹ The early charters had expressly authorized profits of eight or ten per cent. The Revised Statutes of 1836 stipulated that tolls would not be reduced by the state below a figure yielding ten per cent on the capital invested. Ch. 39, sec. 83. This provision appeared

earn that amount, and showed that the new policy would reduce the return on new issues of stock to eight per cent, or even seven per cent, in the case of prosperous companies. This would be less than capital similarly invested in other states was permitted to earn, and the board raised the question whether the law of 1871 would not check railroad enterprises in Massachusetts and "divert their capital to other quarters".

Despite this criticism, the requirement that new stock be sold at auction remained in force until 1878, when it was repealed so far as railways were concerned.³² In 1879 street railways were similarly treated,³³ but the act relating to gas companies was left unchanged. Thereafter until 1893 railroads and street railways were permitted to issue new shares to their stockholders at par; but, singularly enough, the corporations had no authority to sell stock at a higher figure except by offering it at auction. In certain cases, however, the legislature, by special acts, required a few railroads to raise additional capital by selling their stock at public auction.³⁴

In 1892 the Connecticut River Railroad undertook to increase its capital stock from \$2,580,000 to \$5,000,000 by issuing 24,200 shares to its stockholders at par, and an act was passed by the legislature authorizing it to do so. The stock of the road was then selling at about \$235, and the objection was at once raised that the proposed action amounted to declaring a stock dividend of more than \$100 per share. Accordingly Governor Russell vetoed the bill which had passed the legislature, and the project was dropped. In most other states the matter would

in the General Statutes of 1860 (Ch. 63, sec. 112), but was repealed by the general railroad act of 1874 (Ch. 372 of 1874, sec. 179).

³² Ch. 84 of 1878.

³³ Ch. 90 of 1879.

³⁴ See special message of Governor Russell, May 9, 1892.

probably have attracted little attention at that time. Undoubtedly the stockholders proposed to cut and divide a melon of large size and excellent flavor; but, after all, the new stock was to be paid for in cash at the par value, and the proceeds were to be devoted to necessary improvements. Elsewhere it might have sufficed that the stock was to issue at par, but in Massachusetts the project was assailed as "indirect stock watering".

Interest in the question was not abated when, early in 1893, the Connecticut River Railroad was leased to the Boston & Maine at a high rental after \$1,290,000 of four per cent scrip had been distributed to the stockholders,³⁵ the scrip dividend exceeding by \$250,000 the entire surplus of the company. The immediate results were the enactment of a law regulating future issues of stock by railroads and street railways,³⁶ and the appointment of a joint-special commission to devise further methods of regulation.³⁷ In 1894 another law³⁸ brought all classes of public service corporations under the restrictions imposed on railroads and street railways the previous year; while other enactments, described in earlier paragraphs, limited all future issues of stock and bonds to such amounts as the state commissions should consider necessary for the purposes for which they were authorized.

The statutes thus enacted are known popularly as the "anti-stock watering laws"; we are now concerned only with those regulating the price at which new stock may be issued. They provided³⁹ that when a public service

³⁵ The terms of the lease were criticised by the railroad commission in its Report for 1893, pp. 24-26.

³⁶ Ch. 315 of 1893. See special message of Governor Russell transmitting a memorial from boards of trade.

³⁷ For report of this commission see Sen. Doc. 67 of 1894.

³⁸ Ch. 472 of 1894.

³⁹ The law may be found in the Revised Laws, ch. 109, secs. 30 and 31; and in ch. 463 of 1906, part II, secs. 69 and 70.

corporation increased its capital stock the new shares should be offered to stockholders at a price determined by the appropriate state commission.⁴⁰ This price was to be "not less than the market value" of the shares, and in determining it the commissions were required to take "into account previous sales of stock of the corporation and other pertinent conditions". In no case, however, were shares to be issued for less than par. In case any part of an issue was not subscribed for by the stockholders at the price thus fixed, the corporation was authorized to sell such shares to the highest bidder at public auction, but at not less than the par value. And finally, in case the new issue did not exceed four per cent of the existing capital stock, the corporation was permitted to sell it at public auction without undertaking to offer it to stockholders.

The purpose of the law was clearly that new stock should be issued at its market value, either as fixed by the commissions or by sales at auction. The auction sale would evidently make stockholders' rights worth nothing; and the commissions, naturally enough, acted upon the theory that in authorizing issues to stockholders they were expected to fix prices that would accomplish the same result. The law provided that in determining prices the commissions, besides considering "previous sales of stock", should take into account "other pertinent conditions"; and thus it was possible to make allowance for the fact that a new issue of considerable size would tend to depress the price somewhat below current market quotations. The outcome was that issues were usually authorized at prices a little less than those of the last recorded sales, but only enough less to allow for the natural effects

⁴⁰ Railroads and street railways apply to the railroad commission; gas and electric light companies, to the gas and electric light commission; and other corporations, to the commissioner of corporations.

of the increase of the stock. For this the commissions were sometimes criticized, but the history of the law, as well as its plain requirement that stock should not be issued at less than its market value, seems to support the interpretation they placed upon it; and it is certain that they would have encountered more criticism, although from a different quarter, if they had followed any other policy.

If, then, a corporation wished to raise \$1,000,000 by increasing its capital stock, and the commission to which it applied believed that the shares could be sold at a price of \$200, permission would be granted to issue but 5000 shares. Nothing short of omniscience could have enabled the boards to comply perfectly with the intention of the statute. Sometimes they fixed prices that made stockholders' rights fairly valuable and enabled the issues to be fully subscribed, but at other times they named prices that proved prohibitive. Two issues by railroads were fully subscribed at prices of \$215 and \$190, but a third failed at a price of \$165. No other railroads applied for issues to stockholders, the companies preferring to sell stock at auction in amounts less than four per cent of the outstanding capital, or to meet their requirements by issuing bonds. On the other hand 207 applications were made by street railways for authority to issue stock to shareholders. In 153 of these cases the shares were allowed to go out at par, since it appeared that the market value did not exceed that figure; and in 54 the stock was issued at a premium.⁴¹ No complete data are at hand for gas and electric light companies, but it appears that stock issues were fully subscribed in some cases at the prices fixed by the commission, and that in a few instances prices were placed so high that issues were not taken by stock-

⁴¹ See Report of Commission on Commerce and Industry, p. 66.

holders. The water and telephone companies, which fall under the jurisdiction of the commissioner of corporations, are now small concerns,⁴² and no cases have yet arisen where the available data enabled him to fix a price higher than par.

The argument by which the laws of 1893 and 1894 are generally defended is that public interest demands that the shares issued when a corporation increases its stock should be confined to the number absolutely needed to raise the capital that may be required. To permit the issue of a larger number is "indirect stock watering", and imposes upon the community a heavier charge for dividends than can be justified.⁴³ When, therefore, the stock of a public service corporation is worth more than par, new shares should be issued only at a premium; so that the public, and not the stockholders, may reap the benefit of the high market value. When first advanced, this sounded reasonable, and the Connecticut River episode appeared a conclusive demonstration of its truth. The "anti-stock watering laws" soon became a popular fetich, and he who questioned their expediency was deemed a citizen of at least doubtful desirability. Yet experience at length showed that some modification of the law was absolutely necessary, and in 1908, upon the recommendation of a special commission, an amendatory measure was enacted.

In the first place it is beyond question that the law checked investment in railroads. Between 1893 and 1907 no new lines were constructed, only 102 miles of second, third, and fourth track were built, and construc-

⁴² The larger telephone companies have left the state on account of restrictions on capitalization and some other regulations.

⁴³ This argument is best formulated in the special message of Governor Russell, above referred to, and the memorial accompanying the message of 1893.

tion was practically confined to the building of sidings. Some improvements were made, but it is generally agreed that the Massachusetts railroads have not kept up with the times, and now need to expend large sums of money in order to supply the facilities that the public demands. The roads finally came to the end of their resources, and some change was imperative. More than one cause may have contributed to this condition, but no small share of the responsibility falls to the law of 1893.

With street railways the case is not quite so clear. There has been since 1890 a rapid development of electric roads, but this was usually the work of new companies issuing shares at par or of old companies the stock of which did not yet command high premiums. For many years, therefore, the wisdom of forcing out stock at premiums was not put to the test; and it is only recently that difficulties have arisen. Many of the companies are now in such condition that it is not a question of selling stock at a premium but of inducing anyone to take new issues even at par, and some of the larger and more prosperous railways are facing large expenditures which they could hardly have financed under the law as it stood a year ago. In the opinion of a recent commission, the law of 1893 was not encouraging and was probably retarding the development of street railways. The situation of the gas and electric light companies is in many respects peculiar and cannot be considered in this paper.

One feature of the law which proved vicious in practical operation is the requirement that if an issue is not fully subscribed by stockholders the shares remaining unsold shall be offered at public auction. This always raises the question whether a stockholder would better subscribe for the shares when first offered at a price set by a commission, or refuse to subscribe and take the

chance of purchasing at auction at a lower figure. When an issue is only partially subscribed, the directors of a company confront a most unpleasant question. Some of the stockholders, presumably those most loyal to the company, have already purchased stock at a price apparently higher than the market value. Shall others, who preferred to await an auction sale, be given the opportunity to purchase the rest of the issue upon the more favorable terms the auction will probably establish? The injustice of such an arrangement has sometimes impressed directors so strongly that they have not tried to dispose of the shares which stockholders have left on their hands, and have borrowed money in order to meet pressing requirements.

To the auction sale there is the further objection that, if a large issue is offered, the price of the shares may be greatly depressed, while there is no possibility of guaranteeing a minimum price by having the issue underwritten. This fact alone might well discourage a company in good credit from undertaking large enterprises entailing considerable increase of capital stock. There is also the possibility that resort to an auction sale may lead to a change in the control of a corporation. This consideration may not be so weighty as the other just mentioned, but it may be sufficient to discourage large undertakings. When stockholders are given no alternative but to buy stock in their own corporation at a high premium fixed by a commission, or to go into an auction room and bid against outsiders for control of their own company, they may readily decide that it is best to leave well enough alone and seek other investments for their money. If this feature of the law had been intended to destroy the ordinary inducements to develop the business of an established corporation, it could not have been better contrived for that purpose.

Another thing fully established is that in requiring the commissions to fix the prices at which shares might be offered to stockholders the law imposed a most difficult and disagreeable duty upon the boards. Under favorable conditions expert financiers find it difficult to predict how many points the price of a security will be depressed when the issue is largely increased, and in an uncertain market accurate prediction is absolutely impossible. Yet this is the precise task which the commissions must perform, under unfavorable conditions as well as under favorable. Standing between the companies and the public, their position is difficult at best, and seldom more so than when they are obliged to determine the price at which stock may issue. If they name a figure that proves too high, they are straightway accused of incompetence; if they name one that proves too low, they may be accused of incompetence — and perhaps something uglier if not shorter. In a rising market their task is somewhat easier, since stockholders may subscribe for shares at very high prices if there is a prospect of subsequent increase; but in a falling market nothing short of omniscience would be adequate for the task. In Massachusetts the situation is made worse by the fact that the market for most of the issues is a narrow local market, in which the prices current represent a very small volume of transactions. If on sales of ten, twenty, or fifty shares a price of \$180 is established for a given stock, the cry of "stock watering" may be raised if a commission fixes \$150 as the price at which twenty, thirty, or forty thousand shares may be issued. What would happen if an issue of a million shares should be asked for can only be conjectured, because corporations are "regulated" out of the state before they become large enough to ask such embarrassing questions. Men who care nothing about their positions, and

less than nothing about their reputations, might perform cheerfully such a duty as the law imposed upon the commissions; others inevitably approach it with the utmost reluctance.

So much for the practical working of the law of 1893; the theoretical objections remain to be considered. The first is that for new investments involving unknown risks the law practically limited the return to a figure appropriate for investments of known value and solidity, but inadequate for any others. If a company conducting a business of known volume and character establishes its ability to pay regular dividends of six per cent, investors may purchase its shares at \$150, thereby accepting an interest rate of four per cent. If the company then increases largely its capital stock in order to increase its business, an unknown risk is substituted for a known; and if the capital is needed for improvements necessary to meet new conditions but not certain to increase immediately the earning power, the risk attending the investment is very greatly increased. If the commissions were endowed with omniscience, they might take all this into account, and fix a price for new issues that would make full allowance for the risk assumed. But in practice they inevitably consider chiefly the current quotations for the outstanding stock, and make but slight allowance for "other pertinent conditions". No different result could be expected to follow from the requirement that new shares shall issue at "the market value". Under it the return on new undertakings was limited to practically four, four and one-half, or five per cent, and investment in the stock of Massachusetts corporations was seriously checked. For small additions and extensions, involving slight risk, stock could be issued in limited quantities; but it was absolutely impossible to finance large enterprises

upon an interest basis hardly exceeding the rate paid on savings bank deposits or first-rate corporation bonds.

The second objection is that the law was inconsistent with the avowed policy of the state in respect to public service corporations. Through commissions and otherwise Massachusetts has undertaken to control the charges and service of these companies, and it must be evident that forcing the issue of stock at high premiums may make such control difficult or even impossible. If a corporation is paying eight per cent dividends and the state forces it to issue new shares at a price of \$200, the legislature and the commissions are thereafter estopped from reducing charges below a figure that will enable a company to pay eight per cent on its outstanding stock. By forcing the issue at \$200 the state virtually creates a new par by which the reasonableness of the companies' charges should be determined. If those charges were excessive at the time of issue, they should have been reduced, and the price of the new shares should have been adjusted to a lower rate of dividend. The investor knows that the state undertakes to regulate charges, and when a commission fixes \$200 as the price of a new issue, he has the right to assume that the established dividend of eight per cent is not unreasonable. The difficulty might be avoided by an express declaration that the investor has no right to assume that the commission is doing its duty under the law, and that the power is reserved to reduce dividends whenever the commission feels inclined to perform its proper functions; but this would not be likely to produce an overwhelming demand for stock at a premium of \$100. In common decency, if not in law, the issue of shares at high premiums fixed by agents of the state virtually guarantees existing dividends from subsequent reduction either by the legislature or the commissions.

The legal aspects of the matter may not be so clear. Outstanding securities are not necessarily accepted by the courts as the basis for determining whether charges prescribed by legislatures or commissions are to be deemed confiscatory. But under the conditions created by the law of Massachusetts, courts might readily hold that persons who purchase stock at prices fixed by the state or its agents are entitled to at least the ordinary rate of interest, provided good management enables a company to earn it. When stock is sold at auction, and not at prices fixed by a commission, the situation is somewhat different; and the probable attitude of the courts is more difficult to predict. But the equities of the case are hardly changed, since the purpose of the auction requirement is to force the sale of shares at such premiums as the established rate of dividend will induce investors to pay; and an investor is fairly entitled to assume that the state commissions are performing their duties, and the existing charges are not considered unreasonable.

In view of these considerations and upon the recommendation of a special Commission on Commerce and Industry, the legislature in 1908 amended the law governing the issue of new stock by railroads and street railways.⁴⁴ The amendatory act provides that a company, when increasing its capital stock, shall "offer the new shares proportionately to its stockholders at such prices, not less than the par value thereof, as may be determined by its stockholders". If it had stopped here, railroads and street railways would now be able to issue new stock at par or at such higher prices as the directors might determine. But it further provides that the railroad commission "shall refuse to approve any particular issue of stock if, in the opinion of the board, the price fixed by the stockholders

⁴⁴ Ch. 636 of 1908.

is so low as to be inconsistent with the public interest." The act, finally, left unchanged the provision that issues not exceeding four per cent of the existing capital stock may be sold at auction without being offered to stockholders, and that shares offered to stockholders and not subscribed for may then be sold at auction.

The amendment was obviously intended to make the conditions imposed upon the issue of new stock somewhat more liberal to investors. The old requirement that shares must be offered to stockholders "at not less than the market value" was stricken out, and the obvious inference is that they may now issue at something less than the market value. Under the former requirement the intention of the law was that stockholders' rights should be worth nothing; under the present, the obvious intention is that they shall be worth something. How much they shall amount to will depend ultimately upon the railroad commission, which is left to wrestle with the interesting but difficult question,—What is meant by a price of issue so low as to be inconsistent with the public interest?

Upon the answer given to this question depends the success or failure of the law of 1908. The board is indeed relieved of the unpleasant duty of fixing the exact price at which stock must be offered to shareholders, and this is a decided gain; but in its power to refuse approval of new issues at prices fixed by the companies, it has power to encourage or discourage investment in Massachusetts corporations. In the cases which have thus far come before it, the board apparently has laid down the principle that the law now sanctions the issue of stock at prices that give some value to stockholders' rights, but that a price will be considered "inconsistent with the public interest" if it makes the rights more valuable than is necessary to ensure the subscription of the needed capital.

The "bearing" of this principle, as Mr. Bunsby might remark, depends on the application of it by the board to particular cases. If the commission recognizes that stockholders' rights are among the ordinary inducements that lead capitalists to invest in the stock of corporations, that the value of such rights should depend upon the risk involved in investment, and that it is more important to secure necessary facilities for the public than to confine investors to a bare return of four or five per cent, all may go well.⁴⁵ If, on the other hand, it proceeds upon the theory that capital will eagerly seek investment in the stock of corporations upon the chance of earning a maximum profit of four or five per cent, the development of transportation facilities will continue to be impeded and the unsatisfactory conditions of recent years will surely continue. In justice to the board it should be remembered that its attitude must necessarily be determined very largely by public opinion, since it is the servant of the public. In last analysis, then, the future of the transportation interests of Massachusetts depend upon the willingness of the people to allow capital invested in the stock of railroads or street railways to earn something more—and considerably more—than the savings-bank rate of interest.

V.

Public control of public service corporations is definitely established in Massachusetts, and will never be abandoned. Control of capitalization is accepted as indispensable, and has accomplished many desirable results. The require-

⁴⁵ On the day after this was written the commission decided to permit the Boston Elevated Railroad to issue 66,500 shares at a price of \$110. The stock sold on that day at \$129, but on sales of only 120 shares. The company is undertaking large improvements which may not increase immediately its earning power, and the commission evidently took the reasonable position that liberal terms were necessary.

ment that the securities issued by a public service company shall represent actual investment in its property has proved sound in principle and beneficial in practice. Difficulties have arisen, however, in the application of this principle, and mistakes have been made that have cost the state dear, and may cost still more dearly before they are corrected. Particular requirements of the law are arbitrary and unreasonable, a few of the policies of the commissions are open to the same criticism, and the people have sometimes shown more zeal than wisdom in the regulation of the corporations. For all of these things no small share of the responsibility rests with some of the public service companies, since the mistakes have commonly arisen from justifiable efforts to prevent the repetition or continuance of definite abuses.

In confining my study to a single state and dealing somewhat minutely with details of law and administration, I have been actuated by the conviction that attention to such details is vital to any plan of public regulation, and the thing most needed in scientific discussion of the subject. I have been influenced, too, by the further consideration that since Massachusetts has been engaged in her task longer than any other state, her experience should prove peculiarly instructive. In its general features her policy may well serve as a model, but she has made errors in detail which other states should be careful to avoid.

Of the larger questions involved the most difficult is that of the terms upon which successful corporations shall be permitted to increase their capital stock. Issue at the market price surely discourages investment and may defeat proper regulation of charges; issue at par may sometimes afford excessive gains and cause public discontent; issue under the terms of the act of 1908 may be a

satisfactory solution if the railroad commission exercises its veto power with discretion. Here, as elsewhere, the people need to consider that securing adequate service is just as important as regulating the profits of investors; and that the policy of regulation will fail just as surely if it leads to industrial stagnation as it would fail if it tolerated dishonest management and extortionate charges. For Massachusetts to fail at either point might seriously prejudice the cause of public regulation in the eyes of the entire country.

CAPITALIZATION OF CORPORATIONS—DISCUSSION.

F. J. SWAYZE: We have not had in New Jersey the difficulties which Professor Bullock has spoken of as arising under the Massachusetts statute. We have been, perhaps, too liberal in our laws, allowing corporations to issue stock for property, when it is often done at a gross overvaluation; but the statute provides, and the courts have always, where a proper case has been presented, insisted that the stock should represent money or money's worth. The great difficulty presented is not with the legal principles involved, but with the proof, and it is, generally at least in a case of any importance and always after the lapse of time, exceedingly difficult to prove the fact of overcapitalization. I was myself counsel in the chief case in this state in which the promoters of a corporation were made to pay a considerable sum to a receiver on account of their stock liability, but the litigation was a very long and expensive one, and would not be open to the ordinary litigant. The consequence has been that a feeling has grown up among many thoughtful men that the true solution of the difficulty is not to put corporations in a strait-jacket, for, when they require money they must, as Professor Bullock's paper has shown, accede to the terms upon which lenders are willing to advance the money. Some of us have come to think that the true solution is that suggested by Governor Stokes in his last annual message,—to allow corporations to issue stock that shall represent what the fact really is, the fractional share of the assets of the corporation to which the particular stockholder is entitled, and specify no par value what-

ever. This would leave the stock to find its value in the market, as in fact it does under our present system, and would avoid the difficulty of imprinting upon the stock what may be false. A difficulty might, of course, arise, if this method should be adopted, when it comes to determine what are reasonable rates, but I don't know that this difficulty is any greater than that which is presented by the present situation. The truth is, I think, that the determination of rates bears a very remote relation to the capitalization of the corporation. It depends upon a great many considerations, and is largely a matter of historical growth, or of custom, a reasonable rate being that which people are accustomed to pay, or what is deemed to be fair. And in the case of railroad rates, where the question is so extremely complicated that a rate which might produce no returns, and not even the bare cost of doing the business, may, in special instances, be a perfectly fair rate, while in instances of other commodities a rate which bears a very large proportion to the cost of the service, and the returns from which are lucrative to the corporation, may still be deemed reasonable by those who have the bills to pay. I am quite skeptical as to the ability to determine by any mathematical formula the reasonableness of any rate when the question is at all complicated, as it necessarily is in the case of railway rates. To my mind, such work as can be done by the public authorities must largely be done in the direction of collective bargaining. The case may possibly be different with gas companies and electric light companies, or where the commodities supplied are few in number and the place in which the company operates is comparatively narrow, but even in such cases it would be difficult to adopt a mathematical formula based upon a percentage of the capital invested.

We have recently had occasion in New Jersey to pass upon the reasonableness of charges for water, and one of the questions which we had to consider was the reasonableness of expenditures made, not for the immediate needs of the service, but with a view to the probable future expansion.

If a mathematical formula is not to be adopted, and if, as the decisions of the courts heretofore seem to indicate, considerations such as I have suggested are to apply, it becomes of little consequence whether we issue stock with a par value, or whether we merely indicate that a certificate represents a fractional share of the corporation.

MILO R. MALTBIE: Although Professor Bullock does not definitely state that he would favor a repeal of the provisions of the Massachusetts law making it impossible to issue securities below par, he indicates that the plan is at least worthy of discussion. In my opinion, it would be exceedingly unfortunate for Massachusetts to take this backward step, and I am surprised to hear that anyone seriously recommends it, as this is one of the provisions which seems to be generally approved not only by the public but by Massachusetts corporations themselves. It has been upon the statute books for many years, and is a principal reason why overcapitalization in the Bay State has not been so rampant as elsewhere. It is interesting to contrast the street railway situation in New York with that of Boston or any other Massachusetts city. It is beyond question that the statutory limitation has prevented many of the evils from which we have suffered and are now suffering in New York.

Furthermore, it has not prevented the development of private corporations. The gas, electric light, and street railway companies of Massachusetts are as progressive

as those of any other state of the Union. Their lines have been extended in a way surpassed by no state, and in the main the corporations are in a healthy condition and prosperous.

The difficulty, apparently, which seems to affect Professor Bullock so greatly is that certain corporations found it exceedingly difficult to issue securities at par during the past year and a half. But what corporation did not find it difficult to do so? The universal trouble was due not to the law but to the commercial conditions and to the financial panic from which we are just emerging. It is possible that if there had been no restriction upon the price at which securities could be sold, it would have been easier for corporations to dispose of them, but that is not the only solution, and it would seem exceedingly unwise to recommend the general adoption of a plan which is suited to abnormal conditions only and which is unnecessary except perhaps occasionally.

However, if a corporation finds it difficult to issue its stock at par under normal conditions, why is it necessary to allow it to sell below par? By so doing the earning capacity of the company is not affected beyond the amount of money *actually* invested; that is, the financial status of a corporation is determined not by the securities which it issues but by the amount of money actually invested and the earning ability of the investment. If stock of a par value of \$1,000,000 is issued for \$500,000 cash, it does not mean that the company will earn a profit upon \$1,000,000 any more than it does if the par value of the stock had been made \$500,000 and it had been disposed of at par. Furthermore, the stockholders will not receive a greater amount upon their *investment*. They will receive the same in any case, and the fact that the par value of their stock is twice the investment will not of itself make profits.

If it is necessary to give certain stockholders a preference over others, it does not follow that the only remedy is to allow stock issued to these holders to be sold below par. Preferred stock of various classes may be issued, and there are various other ways of reaching the same result; one is not forced to adopt the plan of selling stock below par.

As long as stock bears the dollar mark—it may be wise to remove the dollar mark entirely—it should mean something. It is pure misrepresentation to allow corporations to issue stock each share of which bears upon its face a certain value which is wholly fictitious and which has no relation whatever to the actual investment. People generally assume that \$100 in stock represents an investment of \$100, and if there were not this general supposition, which of course is often erroneous, there would not be the clamor that there is from certain quarters for permission to issue stock below par. As long as the dollar mark remains upon stock, let us be honest and straightforward and require that it shall be issued only for what it is supposed to represent.

It is impossible, in the few moments allotted to me, to discuss the sale of securities by public bidding. "Auction clauses", a phrase familiar to every gas man in Great Britain, have been in operation for more than a generation in many English cities. They work exceedingly well, and are so satisfactory that many corporations in Great Britain would strenuously oppose their repeal. Before one demands that the whole idea shall be thrown overboard simply because a few features adopted in Massachusetts have not proved satisfactory, he should carefully study English experience. In my opinion, certain changes ought to be made in the Massachusetts law, but to claim that the whole idea is wrong indicates that the

matter has not been carefully studied, and the experience of other countries and states where it has been tried has not been carefully investigated.

The argument is frequently made not only against the Massachusetts system, but against every form of public regulation and control, that it will drive out capital. It is undoubtedly true that whenever a state enacts laws which render it impossible for financial manipulation to continue that certain individuals who often control large sums of money will be forced to look elsewhere for a suitable field of operation. If this is an objection, the same argument could be urged against many meritorious measures. Laws against jerry-building, child labor, and piracy drive out capital and make certain occupations impossible, but no one seriously considers this fact as an argument against such laws. Piracy in corporation management is not only injurious to the individual but has imperilled the health of the state, and the loss of those individuals who promote such enterprises is a gain to a community.

Furthermore, when public service corporations are put upon a sound basis, investment capital will be attracted to them. Under the conditions that have existed in some states, the investor has been driven to other fields because of the improper methods that have been adopted. He will be induced to return when conditions are made stable and when it has become impossible for a corporation to be so manipulated as to deprive him of his investment or a fair return thereon. This is not theory alone, for the experience of England has clearly shown that, under public regulation and control, manipulation has ceased and securities of public service corporations have passed from the speculative to the investment class. Again, public regulation is spreading throughout the United States, and

as state after state enacts laws providing for stringent supervision of financial matters, the opportunity for the manipulator to follow his calling will be greatly reduced, and finally removed entirely. Capital will then go naturally where it is most certain of a fair profit.

E. D. DURAND: The Bureau of Corporations, with which I am connected, has not formulated any definite policy or views on the subject of capitalization.

The paper of Professor Bullock is particularly valuable as showing the difficulties which arise in any attempt to regulate capitalization. Those difficulties, moreover, are much greater when a state or the federal government seeks to introduce regulations where they have previously been absent. Massachusetts has had regulation continuously, and there has been less opportunity for vested rights to become established than elsewhere. Where corporations have been allowed to overcapitalize, and the earning power has been such as to cause the stock to sell at a price representing more than the actual investment, innocent purchasers at such higher price feel themselves wronged if, by any regulation of charges or prices or of capitalization, their stocks are reduced in value below the purchase price. While in the case of some public service corporations it might very properly be held by the general public that such investors took their own risk of regulation when they bought their stock, it is scarcely likely that the courts or legislatures will be disposed in general to disregard vested interests of this character, and any proposition to regulate prices and charges with sole reference to the actual investment is scarcely feasible from the political standpoint.

Difficulties with regard to capitalization are conspicuous in the case of such corporations, especially railroads,

as are likely to desire to combine with other corporations in the future. The adjustment of the capitalization in the case of such combinations, if such stringent rules as exist in Massachusetts are applied, can hardly be done without injustice. Take, for instance, a corporation which is undercapitalized, either in the sense that its capital is less than its actual investment or that it is less than the capitalization of its earning power at the normal rate. If such a corporation desires to combine with another which is not undercapitalized, or which is actually overcapitalized, the enforcement of the rule that the aggregate amount of the stock issued as the result of the combination shall not be greater than the amount previously outstanding will work a hardship. One suggestion which has been made to avoid this difficulty is that any undercapitalized corporation (even if the undercapitalization be merely with reference to earning power and market value of the stock and not to actual assets) should be permitted to issue additional stock, without additional investment within a certain time after the passage of the act regulating capitalization, so as to make the total stock of such corporation equal to its value as a going concern, thereby reducing the market price of the stock substantially to par. Such a permission would, of course, have to be restricted as to the time within which the additional stock should be issued, since otherwise, in the case of a corporation enjoying monopolistic profits, the increase in such profits after the passage of the law would become a basis for capitalization, which is precisely what is not desired. In other words, assuming that it is necessary to permit the capitalization of such vested interests as exist today, the law should so arrange as to prevent the future development of further vested interests and the capitalization of future increase in earning power.

W. Z. RIPLEY: While without doubt the restrictive policy of Massachusetts has many disadvantages, a comparison of the capitalization of its public service companies with those of other states affords clear evidence of the protection to investors and security for the public against overcapitalization. Some details in the law, such as the sale of stock at public auction, may properly be criticised. There is also little doubt that the law has been somewhat too strictly enforced. The obtaining of capital for development has been rendered somewhat too difficult. Yet, on the other hand, the principal difficulty under which companies like the Boston and Maine are at present suffering is of their own creation. Had the Boston and Maine Railroad properly withheld distribution of a part of its earnings in the form of dividends and reinvested them in the form of improvements and additions to their plant, the present crisis in its affairs need never have occurred. The recent liberalization of the Massachusetts statute is probably fitting and proper under the circumstances, but to reason that because a law has been somewhat too strict the principle of it is thereby wrongful, would be wide of the mark. On the whole, we are very much better off than are states like New York and New Jersey, where no limitation whatever is placed upon capital issues.

R. T. ELY: I think it would be well in this connection to say something about our Wisconsin practice. As you all know, the public utilities in Wisconsin are under the control of our railroad commission. So far as I can gather, our commission makes accuracy of measurements the first consideration. This was the first thing insisted upon when the Madison Gas and Electric Company's case was brought before the commission, on a petition for a reduc-

tion of rates. It was decided that meters and all measurements must be first of all scientifically accurate. The next step was to prescribe quality. I think, generally speaking, it would be held by the commission that quality of service must come before reductions in rates. There seems to be good reason for this order of procedure. We cannot tell what is a reasonable rate until we have accuracy of measurements and satisfactory quality. This would hold with regard to railway rates generally.

From the first, also, our Wisconsin commission attached great importance to physical valuation, for this is one measure of value and measure of value is a factor in determining reasonable rates. Physical valuation is one element only, but it certainly is one of very great importance. Valuations in Wisconsin are made by trained engineers, and so far as I know they have proceeded more thoroughly with us than anywhere else. The engineers are making mortality tables of various parts of utility plants, — boilers, for instance, — in order to determine proper depreciation.

After we have accuracy of measurements and service rendered, after we have satisfactory quality, after we have careful valuations, we are then in position to prescribe rates rationally and justly.

I should like to mention one other matter concerning corporation practice, as it has fallen under my observation as a director of one or two small corporations. I was once inclined to hold that in the case of all corporations, as of bank corporations, capital should be paid in full. My experience, however, has shown me that there is a strong ground for taking another position in the case of corporations of some kinds. One cannot always tell in advance how much capital will be needed to manage the corporation, and it is therefore wiser in such cases for only

a part of the capital to be paid in. There are frequent cases in Wisconsin where a third or one-half of the capital is paid in, but the stockholders may be called upon for the balance. This tends to the security of the corporation and to the protection of the stockholders. The arrangement in cases of this kind would frequently be not to call upon the stockholders for further subscriptions, though in an emergency they can be called on. This makes it possible to save property which might otherwise be lost to the stockholders. The practice as I have observed it is to issue at first stock only to the amount that is actually paid in. If the amount subscribed for is \$10,000, and fifty per cent is paid in, the subscriber would receive stock for \$5000. In such cases it would generally be the intention to issue the balance of the stock to him without further charge if the stock of the corporation should increase in value correspondingly. This is a frequent practice in the case of corporations dealing in real estate.

If it is clearly stated in such cases what is the amount actually paid in, there would seem to be very little objection to the practice, provided, also, that there is satisfactory scrutiny of the issue of new stock as stock dividends. In Wisconsin it is true there is no satisfactory scrutiny of the issue of new stock, not even in the case of public utility corporations and consequently there may be overcapitalization. Public opinion, however, in Wisconsin, as far as I have been able to observe, would not look with favor upon the issue of any stock which was not supposed to be represented by a corresponding value.

EDWARD W. BEMIS: The previous speaker has recommended the sliding scale in gas and the so-called Chicago plan in street railways. There is much to be said in favor

of the ultimate adoption of the sliding scale, but the fatal objection in the minds of many to its immediate adoption is this: companies would secure today too high a valuation of their capital, which would become the base line for estimating future dividends and prices. Public sentiment is so rapidly growing in favor of a lower value or entire neglect of franchise, good will, and going values that it will pay the public to delay entering into long contracts such as the sliding scale involves.

An equally serious objection to the Chicago plan, by which a company divides with the city a share of the profits rather than a reduction of fares, is that thus the street car riders are forced to pay part of the taxes. It is not an equitable system of taxation, although in some cases it may be the only practicable method.

It is not the fault of the Massachusetts commission in many cases that it has not reduced prices, for the law has contemplated that the initiative should be taken by patrons or consumers or by city officials. The commission at present is more vigorous than hitherto. There have been and perhaps still are three fundamental weaknesses in the Massachusetts theory of regulation:

1. An over emphasis upon capitalization as compared with regulation of price and service. The protection of the investor does not necessarily protect the consumer.

2. By dispensing with the so-called auction clauses that prevail in English gas companies and adopting a definite minimum price at which new stock may be sold to old stockholders, the state has, it is to be feared, given sacredness to the large earnings of the original stock. For example, on stock paying 10 per cent and may be selling at 200 the commission would allow a further issue at say 165. On this 6 per cent would be earned. Later the public, convinced that 10 per cent is too high a return on

four-fifths of the stock, seeks a lower price for light or street transportation, but this would reduce the return on the new stock so much below 6 per cent as to seem to some confiscatory. The consumer would be better off if the state had not gone further than the English auction clauses.

3. The Massachusetts commissions have been indifferent as to the magnitude of profits in the past, provided that all in excess of from 6 per cent to 10 per cent was invested in the plant. The theory was that the public would ultimately get the benefit. Court decisions now render this doubtful. The Massachusetts Lighting Commission is now beginning to demand a return to the people yearly in reduced prices of profits in excess of a reasonable amount.

The United States Supreme Court has before it in the Consolidated Gas case more important economic principles than it has faced since the Dred Scott case. What constitutes a proper valuation for purposes of rate making? Shall we include in physical value increased cost of land since purchased and the value of the paving laid by the city over the mains and conduits? Shall we allow any value to good will, going value, and franchises? The whole problem not only of regulation, but of public ownership, will rest in part on how these questions are ultimately settled. So far as the courts favor the companies in these matters, to that extent will public ownership be developed, for the latter never dreams of capitalizing the various values just referred to.

C. J. BULLOCK. There is no suggestion in my paper that the Massachusetts laws relating to the issue of securities should be repealed. I do, however, assert that it would be desirable to permit the issue of both stock and

bonds for less than par *under certain circumstances*, and subject to the approval and supervision of the proper commission. Mr. Maltbie's remark that an embarrassed corporation should be immediately required to reorganize simply shows reckless disregard of the conditions under which Massachusetts public service corporations have been developed. Their securities represent cash invested at par, or at high premiums, in good faith; and to give such companies no option but immediate reorganization would be one of the most effectual methods that could be devised for discouraging investment in public service securities. Mr. Maltbie speaks as if an issue of stock at less than par gives certain stockholders a preference over others. As a matter of fact the law requires a *pro rata* distribution of new stock, and no possible preference can be thereby created. His statement that the laws have not restricted enterprise merely shows that he is totally unacquainted with the facts, and does not need serious consideration. It is enough to say that the situation in 1908, so far as railroads were concerned, had become so acute that the legislature without serious opposition made a radical change in the law. Professor Ripley admits that the laws have been too strict in some particulars, and that the amendment of 1908 was desirable. He intimates, however, that the difficulties in which the Boston and Maine Railroad was involved were due to the fact that the road had been paying excessive dividends, and he says that the embarrassment might have been avoided if the company had withheld from the stockholders a part of the dividends paid them and invested it in improvements and additions to the plant. Such a course might have been easy and obvious if it had not been for difficulties created by the laws of the state. In the first place, much of the stock had been issued at such high prices as 160 or even

190, and the directors of the road were entirely justified in feeling that a dividend rate of 6 or 7 per cent, which amounted to less than half of that rate upon some of the shares, was not excessive. They were further aware of the requirement of our savings bank laws by which if the dividends should be reduced below 4 per cent the bonds of the company would cease to be a savings bank investment. Some critics of the railroad advocated reduction of dividends to 2 per cent, which would of course destroy the chief market for bonds. It is further to be considered that if the dividends had been cut to 4 per cent or less the stock would probably not have sold at par, and that under our public service laws the company would then have been unable to raise more capital by the issue of stock. It will be evident to anyone who considers these things that in endeavoring to pay dividends of 6 or 7 per cent the directors of the road were following the course that it was natural for them to take. Mr. Maltbie was good enough to intimate that my criticisms of the working of the auction requirement indicate that "the matter has not been carefully studied." I am quite content to leave the case as I stated it. The facts as given are not open to dispute, and the conclusions drawn from them seem amply warranted. My remarks did not relate to Massachusetts gas companies, which have not been so much embarrassed by the auction laws. I am, indeed, of the opinion that it is possible for public service companies operating on a small scale and enjoying secure local monopolies, to raise capital in small amounts by selling securities in an auction room. For large enterprises, however, involving large issues of securities, such a method of sale seems to be the one best calculated to secure the lowest price; and I am constrained, therefore, to stand by all that I have said concerning the bad results

that have followed this provision of the Massachusetts law. In conclusion I may observe that general remarks about the desirability of public regulation, which was in no way called in question by my paper, but was expressly affirmed, will not help at all in rectifying the absurd mistakes made by Massachusetts or in enabling other states to avoid them.

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1909

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AMERICAN ECONOMIC ASSOCIATION.

The American Economic Association is an organization composed of persons interested in the study of political economy or the economic phases of political and social questions. As may be seen by examining the list of members and subscribers printed in this volume, not only are all the universities and the most prominent colleges in the country represented in the Association by their teachers of political economy and related subjects, but a larger number of members come from among business men, journalists, lawyers, politicians, and others interested in the theories of political economy or, more often, in their applications to social life. There are further nearly two hundred subscribers, including the most important libraries of this country. The Association has besides a growing representation in foreign countries.

The first two meetings of the Economic Association in 1885 and 1887, and the meetings of 1897, 1898, 1900, 1901, 1902, 1903, 1904, 1905, 1906, and 1907, were at the same places as those of the American Historical Association, and in the last few years the American Political Science Association, the American Sociological Society, and the American Association for Labor Legislation have met with the other two Associations. Joint sessions and less formal gatherings of the members of the Associations were thus held. In 1909 the meeting will be held in New York City. The annual meetings give opportunity for social intercourse; they create and cement acquaintanceship and friendship between teachers in different institutions, and bring into touch with each other students and business men interested in the social and economic problems of the day. The meetings aim to counteract any tendency to particularism which the geographical separation and the diverse interests might otherwise foster.

The Publications of the Association, a complete list of which is printed at the end of this volume, were begun in March, 1886. The first series of eleven volumes was completed by a general index in 1897. The second series, comprising two volumes, was published in 1897-99, and in addition thereto the Association issued during 1896-99 four volumes of Economic Studies. In 1900 a third series of quarterly Publications was begun with the Papers and Proceedings of the Twelfth Annual Meeting, and has been continued since with ample amount and variety of matter. It is intended to add to these quarterly numbers, from time to time, such monographic supplements as the condition of the treasury and the supply of suitable manuscript may make possible. The Economic Bulletin, issued quarterly and devoted to bibliography and current notes, is also published by the Association.

The American Economic Association is the organ of no party, sect, or institution. It has no creed. Persons of all shades of economic opinion are found among its members, and widely different views are given a hearing in its annual meetings and through its publications.

The officers of the Association and the contributors to its publications receive no pay for their services. Its entire receipts are expended for the printing and circulation of the publications and for the annual meetings. Any member, therefore, may regard his annual dues either as a subscription to an economic publication, a payment for membership in a scientific association, or a contribution to a publication fund for aiding the publication of valuable manuscript that might not be accepted by a publishing house governed primarily by motives of profit, and that could not be published by the writer without incurring too heavy a burden of expense.

CONSTITUTION OF THE AMERICAN ECONOMIC ASSOCIATION

(AS REVISED AT THE ANNUAL MEETING, DEC., 1905.)

ARTICLE I.

NAME.

This Society shall be known as the AMERICAN ECONOMIC ASSOCIATION.

ARTICLE II.

OBJECTS.

1. The encouragement of economic research, especially the historical and statistical study of the actual conditions of industrial life.
2. The issue of publications on economic subjects.
3. The encouragement of perfect freedom of economic discussion. The Association as such will take no partisan attitude, nor will it commit its members to any position on practical economic questions.

ARTICLE III.

MEMBERSHIP.

1. Any person interested in economic inquiry may, on the nomination of a member, be enrolled in this Association by paying three dollars, and after the first year may continue a member by paying an annual fee of three dollars.
2. On payment of fifty dollars any person may become a life member, exempt from annual dues.

3. Foreign economists of distinction, not exceeding twenty-five in number, may be elected honorary members of the Association.

4. Every member is entitled to receive, as they appear, all reports and publications of the Association.

ARTICLE IV.

OFFICERS.

The officers of the Association shall be elected at the annual meeting and shall consist of a President, three Vice-Presidents, a Secretary, and a Treasurer, whose term of office shall be one year; six members of the Publication Committee and six elected members of the Executive Committee whose term of office shall be three years, and who shall be so classed that the term of two members of each committee shall expire each year; provided that the office of Secretary and that of Treasurer may be filled by the same person. The Executive Committee shall consist of the President, the Vice-Presidents, the Secretary, the Treasurer, the Chairman of the Publication Committee, the Ex-Presidents, and six elected members.

ARTICLE V.

DUTIES OF OFFICERS.

1. The President of the Association shall preside at all meetings of the Association and of the Executive Committee, and, in consultation with the Executive Committee, shall prepare the programs for the annual meetings. In case of his disability, his duties shall devolve upon the Vice-Presidents in the order of their election, upon the Secretary, and upon the Treasurer.

2. The Secretary shall keep the records of the Association and perform such other duties as the Executive Committee may assign to him.

3. The Treasurer shall receive and have the custody of the funds of the Association. subject to the rules of the Executive Committee.

4. The Executive Committee shall have charge of the general interests of the Association in the interval between annual meetings. It may fill vacancies in the list of officers, and may adopt any rules or regulations for the conduct of its business not inconsistent with this constitution or with rules adopted at the annual meetings. It shall act as a committee on time and place of meeting, and perform such other duties as the Association shall delegate to it. A quorum shall consist of five members, other than the Vice-Presidents and the Ex-Presidents.

5. The Publication Committee shall have charge of the publications of the Association.

ARTICLE VI.

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THE TWENTY-FIRST ANNUAL MEETING.

The Twenty-first Annual Meeting of the American Economic Association was held at Atlantic City, New Jersey, December 28-31, 1908. The American Sociological Society and the American Society for Labor Legislation met at the same time and place. The American Economic Association held two joint sessions, one with the American Association for Labor Legislation on Tuesday morning, December 29, the second with the American Sociological Society, on Tuesday afternoon, December 29.

The following names were entered on the register of the Economic Association, and there were others in attendance who failed to register.

Adriance, W. M., Princeton, N. J.
Agger, Eugene E., New York City.
Andrew, A. P., Cambridge, Mass.
Aves, Ernest, London, Eng.
Bailey, W. B., New Haven, Conn.
Barnett, George E., Baltimore, Md.
Barrett, Don C., Haverford, Pa.
Bauer, John, Ithaca, N. Y.
Bishop, Avarad L.
Blauvelt, Miss M. T., Farmington, Conn.
Bogart, E. L., Princeton, N. J.
Breckenridge, R. M., West Hamilton, Ont.
Breckenridge, Sophonisba P., Chicago, Ill.
Brown, Harry G., New Haven, Conn.
Brummer, Leon, New York City.
Bullock, Charles J., Cambridge, Mass.
Calhoun, J. E.

Callender, Guy S., New Haven, Conn.
 Campbell, Robert A., Madison, Wis.
 Cance, Alexander E., Madison, Wis.
 Carstens, C. C., Boston, Mass.
 Carver, T. N., Cambridge, Mass.
 Chapin, Robert C., Beloit, Wis.
 Clark, Walter E., New York City.
 Clark, Victor S., Washington, D. C.
 Cole, William Morse, Cambridge, Mass.
 Commander, Miss L. K.
 Commons, John R., Madison, Wis.
 Cooley, C. H., Ann Arbor, Mich.
 Coulter, J. L., Minneapolis, Minn.
 Crook, J. W., Amherst, Mass.
 Culbertson, Wm. S., New Haven, Conn.
 Daggett, Stuart, Cambridge, Mass.
 Daniels, W. M., Princeton, N. J.
 Day, Clive, New Haven, Conn.
 Devine, Edward T., New York City.
 Dewey, Davis R., Boston, Mass.
 Dietz, Peter E., Oberlin, Ohio.
 Dike, Samuel W., Auburndale, Mass.
 Dill, Arthur C., Honeoye, N. Y.
 Dill, James B., New York City.
 Dixon, F. H., Hanover, N. H.
 Doten, Carroll W., Cambridge, Mass.
 Duncan, J. C., Urbana, Ill.
 Earp, E. L., Syracuse, N. Y.
 Eastman, Miss Crystal, New York City.
 Ely, Richard T., Madison, Wis.
 Eskin, J. S., Washington, D. C.
 Fairchild, Fred R., New Haven, Conn.
 Farnam, Henry W., New Haven, Conn.
 Fetter, Frank A., Ithaca, N. Y.
 Field, James A., Chicago, Ill.

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 Fox, Charles K., Haverhill, Mass.
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 Gray, John H., Minneapolis, Minn.
 Hagerty, James E., Columbus, Ohio.
 Hammond, M. B., Columbus, Ohio.
 Hancock, G. D., Amherst, Mass.
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 Hegemann, W.
 Henderson, C. R., Chicago, Ill.
 Hill, J. A., Washington, D. C.
 Hoffmann, A. von.
 Hoffman, Frederick L., Newark, N. J.
 Holdsworth, J. T., Philadelphia, Pa.
 Holmes, George K., Washington, D. C.
 Hotchkiss, W. E., Evanston, Ill.
 Howard, Earl Dean, Evanston, Ill.
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 Mills, Herbert E., Poughkeepsie, N. Y.
 Mitchell, W. C., Cambridge, Mass.
 Mixter, Charles W., Burlington, Vt.
 Morman, James B., Kensington, Md.
 Muhse, A. C., Washington, D. C.
 Mussey, H. R., New York City.
 Nearing, Scott, Philadelphia, Pa.
 Norris, Mrs. Rollin, Bryn Mawr, Pa.
 North, C. C.
 Ottinger, Wm. M.
 Parmelee, Maurice, New York City.
 Parris, Marion, Bryn Mawr, Pa.
 Patten, S. N., Philadelphia, Pa.

Pellew, S. M.
Persons, Warren M., Hanover, N. H.
Pratt, E. E., New York City.
Rastall, B. M., Minneapolis, Minn.
Ripley, W. Z., Newton Centre, Mass.
Robinson, E. V., Minneapolis, Minn.
Robinson, Louis N., Swarthmore, Pa.
Robinson, M. H., Urbana, Ill.
Rubinow, I. M., Washington, D. C.
Sachs, Ralph L., New York City.
Sakolski, A. M., Washington, D. C.
Schaffner, Joseph, Chicago, Ill.
Seligman, E. R. A., New York City.
Shortt, Adam, Ottawa, Canada.
Skelton, O. D., Kingston, Canada.
Small, Albion W., Chicago, Ill.
Sprague, O. M. W., Cambridge, Mass.
Sprague, Robert J., Bangor, Me.
Sterns, W. P., Washington, D. C.
Stewart, John L., South Bethlehem, Pa.
Stone, N. I., Washington, D. C.
Taylor, F. M., Ann Arbor, Mich.
Turner, J. R., Ithaca, N. Y.
Urdahl, Thomas K., Lexington, Va.
Veditz, C. W. A., Washington, D. C.
Walker, Tuttle C., New York City.
Warburg, Paul M., New York City.
Waterman, Edgar F., Hartford, Conn.
Watkins, G. P., New York City.
Watson, Frank D., Philadelphia, Pa.
Weatherly, U. G., Bloomington, Ind.
Wells, D. C., Hanover, N. H.
White, Horace, New York City.
Wicker, George Ray, Hanover, N. H.
Wildman, Murray S., Columbia, Mo.

Williams, G. C. F., Hartford, Conn.
 Williamson, Charles C., Bryn Mawr, Pa.
 Wolfe, A. B., Oberlin, Ohio.
 Wood, Stuart, Philadelphia, Pa.
 Wright, C. W., Chicago, Ill.
 Zartman, L. W., New Haven, Conn.

PROGRAM.

First Session—Monday, December 28, 1908, 2.30 P. M.

Steel Pier Auditorium.

THE PRESIDENT'S ADDRESS.

- I. The Making of Economic Literature. President SIMON N. PATTEN.
 Discussion by E. R. A. SELIGMAN, Columbia University; JOHN L. STEWART, Lehigh University; JAMES E. HAGERTY, Ohio State University; FREDERICK B. HAWLEY, New York City.
 General Discussion by T. N. CARVER, Harvard University; H. W. FARNAM, Yale University; SCOTT NEARING, University of Pennsylvania; DAVID KINLEY, University of Illinois; E. T. DEVINE, Columbia University.
 - II. Collective Bargaining. J. B. CLARK, Columbia University.
 Discussion by A. C. MILLER, University of California; G. E. BARNETT, Johns Hopkins University; T. S. ADAMS, University of Wisconsin; C. W. DOTEN, Massachusetts Institute of Technology.
- 5.30 P. M. Business Meeting. Reading of Reports. Appointment of Committees.

Second Session—Monday, December 28, 8 P. M.

Haddon Hall: Lower Exchange.

ROUND TABLE ON ACCOUNTING: CHAIRMAN, W. M. COLE, HARVARD UNIVERSITY.

Papers.

1. Accounting in its Relation to Economics. M. H. ROBINSON, University of Illinois.
2. A Definition of Accounting. J. C. DUNCAN, University of Illinois.
3. The Present Position and Probable Development of Accountancy as a Profession. JOSEPH E. STERRETT, President of the American Association of Public Accountants.

Discussion by B. M. RASTALL, University of Minnesota; AARON M. SAKOLSKI, Bureau of Corporations, Washington, D. C.; W. Z. RIPLEY, Harvard University; LEON BRUMMER, New York City; O. M. W. SPRAGUE, Harvard University; SIMON LITMAN, University of Illinois.

Third Session—Tuesday, December 29, 1908, 10 A. M.

Steel Pier Auditorium.

JOINT SESSION WITH THE AMERICAN ASSOCIATION FOR LABOR
LEGISLATION.

- I. Annual Address: Fundamental Distinctions in Labor Legislation. HENRY W. FARNAM, President of the American Association for Labor Legislation.
- II. Employers' Liability.
The American Way of Distributing Industrial Accident Losses. MISS CRYSTAL EASTMAN, of the Pittsburgh Survey.
What Form of Accident Insurance Should Our States Adopt? M. O. LORENZ, University of Wisconsin.
Discussion by F. L. HOFFMAN, Newark, N. J.; C. R. HENDERSON, University of Chicago; LEE K. FRANKEL, New York City.
- III. The Canadian Industrial Disputes Act. Paper by ADAM SHORTT, Civil Service Commission of Ottawa.
Discussion by O. D. SKELTON, Queens University; VICTOR S. CLARK, United States Bureau of Labor.

Fourth Session—Tuesday, December 29, 2.30 P. M.

Steel Pier Auditorium.

JOINT SESSION WITH THE AMERICAN SOCIOLOGICAL SOCIETY.

PROFESSOR WILLIAM G. SUMNER, Presiding.

Subject: Modern Industry and Family Life.

Papers.

1. The Influence of Income on the Standards of Life. R. C. CHAPIN, Beloit College.
2. The Family in a Typical Mill Town. MARGARET F. BYINGTON.
3. The Results of the Pittsburgh Survey. EDWARD T. DEVINE, Columbia University.
4. Are Modern Industry and City Life Unfavorable to the Family? CHARLES R. HENDERSON, University of Chicago.
5. Rural Life and the Family. KENYON L. BUTTERFIELD, President of Massachusetts Agricultural College.
Discussion by PAUL U. KELLOGG, New York City; ROBERT HUNTER, New York City.

Fifth Session—Tuesday, December 29, 8 P. M.

ROUND TABLES.

- I. Haddon Hall, Lower Exchange. II. Steel Pier Auditorium.
- I. Round Table on Agricultural Economics. Chairman, EDWARD VANDYKE ROBINSON, University of Minnesota.
 1. Economic Geography: an attempt to state what it is and what it is not. By the Chairman.
 2. The Marketing of Agricultural Products.
 - (a) Coöperation in the Marketing of Agricultural Produce. JOHN L. COULTER, University of Minnesota.
 - (b) The Economic Limitations of Coöperation in the Marketing of Agricultural Products. JAMES B. MORMAN, Department of Agriculture.
 - (c) The Relation of Speculation to the Marketing of Agricultural Products. H. C. EMERY, Yale University.
 3. Discussion by T. N. CARVER, Harvard University, etc.
- II. Round Table on Transportation. Chairman, F. H. DIXON, Dartmouth College.
 1. Factors Affecting the Future of Water Transportation in the United States. EMORY R. JOHNSON, University of Pennsylvania.
 2. Discussion by C. J. BULLOCK, Harvard University, and STUART DAGGETT, Harvard University.

Sixth Session—Wednesday, December 30, 10 A. M.

Steel Pier Auditorium.

REVISION OF THE TARIFF.

1. The Best Way to Work for Tariff Revision. H. C. EMERY, Yale University.
2. Dual Tariff Systems. N. I. STONE, United States Bureau of Statistics.
3. Tariff Revision and Foreign Markets. SIMON LITMAN, University of Illinois.
4. Discussion by C. W. MIXTER, University of Vermont; J. W. CROOK, Amherst College; U. G. WEATHERLY, University of Indiana.

Seventh Session—Wednesday, December 30, 2.30 P. M.

Steel Pier Auditorium.

MONEY AND BANKING.

1. A Central Bank. Papers by P. M. WARBURG, New York City, and O. M. W. SPRAGUE, Harvard University.
Discussion by HORACE WHITE, New York City, and JOSEPH FRENCH JOHNSON, New York University School of Commerce.
2. The National Monetary Commission. Paper by A. PIATT ANDREW, Harvard University, Expert to the United States Monetary Commission.

5.30 P. M. Adjourned Business Meeting. Reports of Committees. Election of Officers.

8 P. M. Banquet, Hotel Rudolf, JAMES B. DILL presiding.

Eighth Session—Thursday, December 31, 10 A. M.

Haddon Hall.

CAPITALIZATION OF PUBLIC SERVICE CORPORATIONS.

1. Control of the Capitalization of Public Service Corporations in Massachusetts. C. J. BULLOCK, Harvard University.
2. Discussion by F. J. SWAYZE, of the Supreme Court of New Jersey; MILO R. MALTBIE, Public Service Commission, New York City; E. D. DURAND, Washington, D. C.; W. Z. RIPLEY, Harvard University; R. T. ELY, University of Wisconsin; EDWARD W. BEMIS, Cleveland, Ohio. Reply by C. J. BULLOCK.

BUSINESS MEETING AT ATLANTIC CITY, N. J.

DECEMBER 28, 1908.

The Association met in the Steel Pier Auditorium at 5.30 p. m., at the close of the first session. President Patten called the meeting to order. The annual report of the Secretary was first read.

REPORT OF THE SECRETARY TO THE AMERICAN ECONOMIC ASSOCIATION.

DECEMBER 28, 1908.

The Executive Committee of the Association held its regular spring meeting in New York City, on March 14, 1908. There was presented the request of the Macmillan Company to be released as soon as practicable from their publishing contract with the American Economic Association. This request was based on a new policy adopted by the Macmillan Company in accordance with which similar agencies of the company were terminated. The Executive Committee voted that The Macmillan Company be released from said contract, and directed the Treasurer to conclude a settlement with the company.

This has been effected, the stock held by the Macmillan Company having been transferred to the office of the Secretary. The Executive Committee decided that the entire stock of the Publications should be inventoried. This has been done. The Executive Committee voted that the Association act as its own publisher, and that the title of the regular Publications be changed to "The American Economic Association Quarterly." This nominal change in title was due to the requirements of the Post Office Department, and was adopted by the Executive Committee to obtain a continuance of the privilege of second class mail rates. Professor Fetter, of the Committee on the *Bulletin*, and Professor Kemmerer, the Editor, reported on plans for that Publication. The plan adopted by the Executive Committee approved of the creation of three general divisions for the *Bulletin*,—the first, to include personal and miscellaneous notes; the second, to include book reviews; the third, to consist of bibliographical notes. The Committee on the *Bulletin* were empowered to conclude a printing contract. They subsequently effected such a contract with the Williams & Wilkins Company, of Baltimore, Md. The Executive Committee fixed the price of the *Bulletin* at \$2.00 per annum, and 75 cents per single number.

The regular fall meeting of the Executive Committee was held in New York City, on November 7, 1908. The Executive Committee voted that the first session of the next annual meeting be scheduled for the afternoon of Monday, December 28; and that the Secretary be constituted a Committee on Arrangements to select headquarters and audience rooms at Atlantic City. The Executive Committee voted that a dinner of the Association be held on the evening of December 30.

A request from the League for the Preservation of National Resources, asking for the appointment of a

committee from the American Economic Association to coöperate with the League, was declined on the ground that, despite individual sympathy with the movement on the part of many of our members, it is unadvisable to commit the Association, which is purely a scientific body, to any specific work of propaganda.

The Secretary reported that he had been appointed by the President of the Association as the Association's representative upon the Joint Committee of the American Economic Association, the American Historical Association, the American Political Science Association, and the American Sociological Society. The Secretary was directed to indicate the preference of the Economic Association for Indianapolis as the next place of meeting in the central West.

On November 27, 1908, the Joint Committee of the allied Associations before mentioned met in New York City. The representatives were agreed as to the desirability of all the associations meeting as a rule at the same time and place. The Secretary of the Historical Association explained that in December, 1909, that Association is to celebrate the twenty-fifth anniversary of its founding, and, in keeping with an arrangement made some time ago, it is to meet in New York City, having accepted an invitation of Columbia University to meet there upon the occasion in question. It was with no intention of determining the place of meeting independently that the Historical Association committed itself so long in advance to New York City for the meeting of 1909. In accordance with instructions the Secretary expressed the preference of the Executive Committee for Indianapolis as the place of the next meeting in the central West.

At the fall meeting of the Executive Committee it was voted that the President appoint a committee to arrange for the proper celebration of the approaching twenty-

fifth anniversary of the founding of the American Economic Association. The President appointed as chairman Professor E. R. A. Seligman, the other members being Professor E. J. James, Professor Ely, Professor Jenks, and Professor Emery.

The Executive Committee also voted that the President appoint a committee of three to prepare and report a plan for the most feasible arrangement in future as to the allotment of work, editorial and administrative, between the offices of the Editor of the *Bulletin*, and the Secretary and Treasurer. The President named Professors Fetter, Hollander, and Daniels as the committee.

The Executive Committee also empowered the Publication Committee at its discretion to reprint monographs amongst the Publications where the stock of such monographs is exhausted and the monographs are in demand. A beginning has already been made in a reprint during the past year of Professor Irving Fisher's "Appreciation and Interest."

During the past year the Association, besides issuing the Handbook under separate cover, has issued three numbers of its regular quarterly Publications, — the fourth number, a revised and enlarged edition of Professor Seligman's "Progressive Taxation", being now in press and ready for distribution in a few days. The *Economic Bulletin* has also issued its four regular numbers. Upon the *Bulletin* the Editor is expected to make a full report. The great increase in the publication activity of the Association, and also the increase in work required by the Association's acting as its own publisher, with the attendant clerical, bookkeeping, and shipping work required, have rendered it imperative to depart from our previous custom, and to make the office of Secretary and Treasurer in future a salaried position. The present Secretary and Treasurer, who relinquishes the office at

the close of the present year, can testify that the time required by the duties of the office make remuneration in future a matter dictated both by justice to the incumbent and by a due regard for efficient administration.

Invitations have been received from various bodies in Indianapolis to hold an annual meeting of the Association in that city. This invitation is for either 1909 or 1910. The Ohio State University has also extended an invitation to the Association to hold its next annual meeting in Columbus, Ohio. Invitations were also received from the University of Minnesota for 1909 or 1910 and from Buffalo, N. Y., for 1909.

The membership of the Association stood on December 22, 1908, at 1030. Of this number 868 are members and 162 subscribers. The loss in membership during the year was 35, and the gain 59, making the net gain 24. Of the 59 accessions, 44 are members, and 15 are subscribers to the regular Publications. There are also 16 independent subscribers to the *Bulletin* on our list. The Editor of the *Bulletin* doubtless has others on his list.

The personal note department of the *Bulletin* makes it unnecessary for the Secretary to do more than recount the names of well-known members whom the Association has lost during the past year through death. Among the number should be mentioned Jacob L. Greene, of Hartford, Conn.; Daniel C. Heath, of Boston, Mass.; Professor John C. McNulty, of New York City, and Professor W. A. Wyckoff, of Princeton, N. J.

Respectfully submitted,

W. M. DANIELS.

Secretary, American Economic Association.

The annual report of the Treasurer was next read.

W. M. DANIELS, TREASURER, IN ACCOUNT WITH THE AMERICAN ECONOMIC ASSOCIATION, FROM DECEMBER 20, 1907, TO DECEMBER 21, 1908.

I. Receipts and Expenditures.

Debits.

Cash on hand at last Annual Meeting.....	\$2,069 59
Sales:	
Through Macmillan	\$477 43
Through Secretary's office.....	415 06
	<hr/>
	\$892 49
Reimbursement for printing A. A. L. L. Pro- ceedings	232 50
Dues:	
Current	\$1,938 37
Accrued	504 00
	<hr/>
	2,442 37
Subscriptions:	
Current	\$650 65
Accrued	88 00
	<hr/>
	738 65
Life Membership	50 00
Interest	135 00
	<hr/>
	4,491 01
	<hr/>
	\$6,560 60

Credits.

Expenses of Quarterly Publications (including Handbook, reprint of Fisher, and A. A. L. L. Report).....	\$1,829 80
Expenses of the Office of Secretary and Treasurer:	
(a) Services:	
Editorial, E. L. Bogart.....	\$475 55
Clerical and Miscellaneous.....	476 47
	<hr/>
	\$952 02
(b) Stamps and Stationery.....	119 16
(c) Printing for Office	48 50
(d) Express, Freight, and Cartage.....	22 99
(e) Transportation, R. R. Travel of Secretary and Treasurer	81 22
(f) Office Rent (including storage).....	125 00
(g) Insurance	41 50
(h) Office Fixtures	32 89
(i) Telegraph and Telephone.....	12 35
(j) Safe Deposit Box	3 00
	<hr/>
	1,438 63

Economic Bulletin	1,725 34
Miscellaneous	106 44
Total Expenses	\$5,100 21
Cash Balance December 21, 1908.....	1,460 39
	<hr/>
	\$6,560 60

W. M. DANIELS, TREASURER, IN ACCOUNT WITH THE AMERICAN ECONOMIC
ASSOCIATION.

II...Cash Assets and Liabilities.

<i>Liabilities.</i>	<i>Assets.</i>
Bonds at cost price.. \$3,119 63	Bonds held as per
Balance in Princeton	certificate exhibited 3,119 63
Bank, less Ck. No.	Bank Balance as per
113 for \$75.00..... 1,460 39	certificate exhibit-
	ed, less outstanding
	Ck. No. 113 for
	\$75.00, for which
	receipt is exhibited 1,460 39
	<hr/>
<hr/>	\$4,580 02
\$4,580 02	\$4,580 02

The total cash and invested funds (cost price) amount on December 21, 1908, to \$4580.02. The decrease in funds and cash as compared with December 20, 1907, amounts to \$609.20. After January 1, 1909, bills will fall due for the printing of Number 4 of the regular Publications of 1908, for editorial service in connection with the same (\$125.00), and for Number 4 (and in part for Number 3) of the *Bulletin*. These expenses will, it is estimated, amount to \$900 or \$1000. Despite receipts for dues receivable after January 1, 1909, the working cash balance will probably fall so as to make necessary during the year 1909 the sale of some part of the securities held. The securities in question are the same as at the last report,—three one-thousand-dollar

(par) bonds of New York City, maturing in 1917 and yielding $4\frac{1}{2}$ per cent per annum.

Your attention was called at the last annual meeting to the declining revenue accruing from the payment of annual membership dues. It is pleasant to report that this decline has, temporarily at least, stopped, the receipts from this source during the past year amounting to \$2442.37, or an increase of \$599.77 over the previous year. For the past five years the receipts from this source have been as follows:

1904.....	\$2,340 00
1905.....	2,225 75
1906.....	2,088 59
1907.....	1,842 60
1908.....	2,442 37

The receipts from dues for the past year have been the largest for any year within this five year period. The unusual amount collected from dues during the past year, however, has been very largely owing to the unusual effort put forth by the Treasurer's office to obtain not only the payment of current dues, but the payment of dues long in arrears. As a result, over \$504.00 in the total of \$2442.37 from members' dues received during the past year represent arrears; and this item in the Association's receipts is not likely to recur, the collectible arrearage being probably a negligible quantity.

The gross receipts during the past year have amounted to \$4491.01,—an increase over the receipts of 1907 of \$1363.03. The gross expenditures during the same period amounted to \$5100.21,—an increase over the expenditures of 1907 of \$2484.63. The increase in expenditures is due mainly to the *Bulletin*, which has cost thus far \$1725.34. The remaining items of increased expense are due to expenses of the regular Publications.

Here the nominal increase is \$298.55. Against this is to be set the repayment of \$232.50 for issuing the report of the American Association for Labor Legislation. It must also be remembered that the expenses of the regular Publications this year include four numbers (the last of the year 1907 and the first three of 1908), the Handbook issued under separate cover, and the reprint of Professor Fisher's "Appreciation and Interest."

The expenses of the Secretary and Treasurer show an increase of \$354.30 over the previous year. This is largely due to the Association's acting as its own publisher, with the necessary expenses attendant on making an inventory of the stock, and employing additional assistance for clerical and shipping work.

The miscellaneous expenditures during the year have amounted to \$106.44, whereas no expenditure under this head was made in 1907. The greater part of these miscellaneous expenditures have been incurred by reason of our meeting at Atlantic City.

The Treasurer on quitting office strongly urges upon the Association that the Association hereafter attach a salary to the office of Secretary and Treasurer. The work has become too burdensome and exacting for the Association to expect or require that it be rendered hereafter without compensation.

The Treasurer also ventures to embody in his report a forecast of the financial outlook of the Association. Upon the present basis of publishing both the Quarterly Publications and the *Bulletin*, and without any increase in dues, and without a very considerable augmentation in membership, the Association will be able to run without incurring a deficit for about two years. Our annual net income on the present basis I estimate as follows:

Dues	\$2,000.00
Sales and Subscriptions	1,500 00
Miscellaneous (Life Members and Interest)	100 00

Total income estimated..... \$3,600

Our annual net expenditure on the present basis I estimate as follows:

Quarterly Publications	\$1,700 00
Office of Secretary and Treasurer	1,500 00
Bulletin	2,000 00
Miscellaneous	200 00

Total expenditure estimated \$5,400 00
Net annual deficit estimated 1,800 00

To avoid, not the reduction of our surplus—for as a scientific association we are not interested in maintaining a surplus inviolate—but an unwise expenditure thereof, I suggest the advisability of an immediate change in our work of publication. The Report of the Annual Meeting with its Papers and Discussions should be continued to be printed,—perhaps as an extra number of the *Bulletin*. The regular quarterly issue of a monograph should, in my judgment, stop at once. The accumulated dead stock of Publications shows that over two-thirds of our monographs are of no appreciable interest to our own members or to anyone else. The stock of any really valuable monograph we issue is soon exhausted; and some six or eight of them stand starred on our price-list, and are no longer (unless issued as a reprint) for sale, except with complete sets. The revenue released by the discontinuance of regular quarterly monographs, except for the occasional issue of one of exceptional promise, should go to augment the resources available for the *Bulletin*, on whose enlargement, improvement, and expansion the personal and scientific interest in our work as an Association must in future largely rest.

The usual vouchers, receipts, and books of account are on hand for the scrutiny of the Auditing Committee.

Respectfully submitted,

W. M. DANIELS,
Treasurer.

The Editor of the *Bulletin* made a report:

REPORT OF THE MANAGING EDITOR OF THE ECONOMIC
BULLETIN TO THE ASSOCIATION.

DECEMBER 29, 1908.

Upon the resignation of Professor C. W. A. Veditz as Managing Editor of *The Economic Bulletin* at the Madison meeting of the Association in December, 1907, the present Managing Editor was appointed by the Executive Committee, with instructions to retain "so far as possible the present sub-editorial organization."

I am pleased to report that with only two exceptions the entire editorial staff, consisting of twenty-three members, consented to continue their editorial positions. The two members resigning were Professor Henry C. Taylor and Dr. Adna F. Weber. Professor Taylor's position as associate editor in charge of the department of Agricultural Economics was later filled by the appointment of Mr. James B. Morman, of the United States Experiment Stations, Washington, D. C. Dr. Weber's department of Labor Legislation was discontinued, the field being already covered to a large extent by Professor Commons' department of Labor Organization.

The Managing Editor wishes to bear testimony to the hearty coöperation which the editors of the editorial staff have given. To this coöperation must be largely attributed whatever success the *Bulletin* may have attained.

As the result of delays incident to the transfer of the *Bulletin's* records, to the organization of the work, and

to the placing of the printing contract, the first number of the *Bulletin* did not appear until the fore part of June. It was early decided, however, to make an effort to issue the four regular numbers during the year, thus making the 1908 volume complete. The four numbers were issued between June first and about the middle of December, the last number having been placed in the hands of the Association shortly before the present annual meeting.

The scope of the *Bulletin* is that determined upon at previous meetings of the Association and of the Executive Committee. Each number comprises three departments: (1) Personal and Miscellaneous Notes, (2) Book Reviews, and (3) Recent Publications in Economics. In the first number of each year there is printed the Annual List of Doctoral Dissertations in Economics.

After considering various bids for the printing contract, it was finally awarded to the Williams & Wilkins Company, of Baltimore, Md.

On May 23, 1908, the Post Office Department granted the *Bulletin* the privilege of being entered as second class mail matter under the Act of July 16, 1894. Periodicals obtaining the privilege under this act are denied the privilege of printing advertising matter.

The finances of the *Bulletin*, including subscriptions, are in the hands of the Secretary-Treasurer, to whom subscriptions are sent, and by whom all bills, except those incidental to the clerical work of the Managing Editor's office are paid. These matters will doubtless be covered by the report of the Secretary-Treasurer.

The account covering incidental expenses of the Managing Editor's office during the year to December 23, is as follows:

DR.	CR.
To cash received from	Postage, express and
Secretary-Treasurer \$300 00	import duties \$ 78 00
	Clerk hire 111 02
	Stationery, office sup- plies, and biblio- graphical magazines 44 40
	Traveling expenses... 30 95
	Cut of Adam Smith for cover of <i>Bulletin</i> ... 10 00
	Miscellaneous items .. 1 20
	Balance, cash on hand (Dec. 23)..... 23 55
<hr/> \$300 00	<hr/> \$300 00

The *Bulletin* has experienced some difficulty in obtaining books for review from foreign publishers, and in obtaining exchanges with important periodicals which are needed for the preparation of its bibliographical list of Recent Publications. It is anticipated, however, that this difficulty will decline as we become better known.

In view of the fact that the year just closing is the *Bulletin's* first year, and that it has been necessary to issue four numbers within a little over a half year's time, it would seem wise not to try to add any new departments during the present year, but rather to devote our energies toward perfecting those already established.

In conclusion I wish to request the coöperation of all the members of the Association toward increasing the *Bulletin's* usefulness, and, more specifically, to ask each one to coöperate in the following ways:

1. By sending in notes for the department of Personal and Miscellaneous Notes. Do not be too modest about this matter. The success of the social features of our annual meetings, as well as the interest that has been taken in this department of the *Bulletin*, bear witness to the

fact that we are each deeply interested in what the other members of the Association are doing.

2. By responding to requests made by the editorial staff for book reviews. Several of the departmental editors have reported that they have experienced some difficulty in getting men to review books. Book reviewing is of course often a rather arduous and thankless task. No one can, however, doubt the value of carefully prepared and authoritative book reviews in the present prolific state of economic literature. Is it not reasonable to expect that the members of the Association shall be willing to make some personal sacrifice in this regard for the general good?

3. By calling the attention of the editorial staff to any books or articles of importance which have been omitted in the Bibliographical list of Recent Publications.

Thanking you for your coöperation during the past year, and bespeaking its continuance in furthering the usefulness of the *Bulletin* during the present one,

I am respectfully,

E. W. KEMMERER,

Managing Editor.

It was voted, upon motion, to accept the Treasurer's report for audit.

It was voted, upon motion, that the President appoint a committee of five to consider and to report to the Association upon the recommendations embodied in the Treasurer's report.

President Patten appointed as Committee on Audit, Professors R. C. McCrea and G. E. Barnett; as Committee on Nominations, Professors D. Kinley, F. H. Dixon, T. N. Carver, J. R. Commons, and W. M. Daniels; as Committee to report on recommendations in the Treas-

urer's Report. Professors Seligman, Fetter, Gray, Gardner, and Miller.

Professor Ripley introduced a motion recommending a petition or protest by the Association with reference to customs duties paid upon imported books. After some debate further consideration was deferred until the final business meeting of the Association.

The Association then adjourned.

ADJOURNED BUSINESS MEETING, ATLANTIC CITY, N. J.,
DECEMBER 30, 1908.

The adjourned business session of the Association was called to order at 5.30 p. m., December 30, 1908, President Patten in the chair.

The Committee on Audit reported through Professor G. E. Barnett as follows:

December 28, 1908.

Your committee has examined the statement and books of the Treasurer and find that the items contained in said books compared with the account as rendered show a balance on deposit with the Princeton Bank of Princeton, N. J., of \$1460.39, and also City of New York 4½ per cent Assessment Bonds numbered 430, 431, and 432, amounting to \$3,000 at par value.

Your committee recommend the acceptance of the Treasurer's report, and his discharge from the duties of the office.

Your committee has also examined the statement of the Editor of the *Bulletin* and find proper vouchers for all expenditures.

ROSWELL C. MCCREA.
GEORGE E. BARNETT.

On motion of Professor R. T. Ely, the report of the Committee on Audit was accepted and adopted.

Professor Seligman next reported for the Committee constituted by resolution of December 28 for the purpose of considering recommendations in the Treasurer's report. His report was as follows:

(1) *Resolved*: that the Association continue both the *Bulletin* and the Quarterly Publications, but that the Executive Committee in conjunction with the Publication Committee be empowered to diminish the amount of material to be issued, with the understanding, however, that provision be made for the publication of the Proceedings in full.

(2) *Resolved*: that a committee of five be appointed by the chair to coöperate with the Secretary in an attempt to increase the membership of the Association.

(3) *Resolved*: that no departure be made from the practice of the Association to regard the Secretaryship as an honor to be conferred, but that ample provision be made by the Executive Committee for clerical aid in the Secretary's office.

By general consent the second resolution, involving the appointment of a committee of five, was first taken up, and on motion adopted.

The first resolution was next taken up for discussion. Professor David Kinley moved an amendment to the effect that the scope of the *Bulletin* be enlarged, and that it become the scientific organ of the Association. After debate Professor Kinley withdrew the amendment upon the acceptance by the chairman of the Committee reporting on the following amendment:

Resolved: that the general question of enlarging the *Bulletin* and unifying the publications of the Association be submitted to a special committee of nine, to be ap-

pointed by the chair, for investigation and report at the next annual meeting.

Resolution (1) *supra* of the Committee's report, with amendment immediately preceding, was, on motion, adopted.

The third resolution of the Committee's report was thereafter, upon motion, adopted.

The Committee on Nominations next reported through its chairman, Professor David Kinley, recommending the following for office:

For President, Professor Davis R. Dewey.

For Vice-Presidents, Professor Willard Fisher,
Mr. Fabian Franklin,
Mr. F. B. Hawley.

For the Executive Committee (term to expire in 1911),
Professor F. A. Fetter,
Professor T. S. Adams.

For the Publication Committee (term to expire in 1911),

Professor C. J. Bullock,
Professor W. A. Scott.

Professor C. W. Mixter (for the unexpired term
of Professor Flux).

For Secretary and Treasurer, Professor T. N. Carver.

On motion the Secretary was directed to cast a ballot for the nominees of the Committee. The Secretary cast the ballot, and the President declared the nominees elected.

Professor Seligman next reported from the sub-Committee of the Executive Committee, which had been charged with the consideration of the appropriate celebration of the twenty-fifth anniversary of the founding of the Association, recommending that the celebration be held in New York City next year, in conjunction with

the American Historical Association, and that the chair appoint a committee on the celebration. This recommendation was, upon motion, adopted.

A resolution of thanks to the Secretary was moved by Professor David Kinley, and was adopted.

The Association then adjourned.

W. M. DANIELS,
Secretary.

President Patten on December 31 announced as the Committee of Nine to consider the enlargement of the *Bulletin* and the unifying of the publications of the Association the following:

Professor David Kinley,
Professor H. B. Gardner,
Professor J. H. Hollander,
Professor J. W. Crook,
Professor F. A. Fetter,
Professor M. B. Hammond,
Professor W. H. Glasson,
Professor M. H. Robinson,
Professor Royal Meeker.

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THE PRINTERS

A STUDY IN
AMERICAN TRADE UNIONISM

BY

GEORGE E. BARNETT, Ph.D.

Associate Professor of Political Economy in the Johns Hopkins University

OCTOBER 1909

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PREFACE

The studies of American trade unionism which have heretofore been made, apart from descriptions of important historical episodes, fall into two classes. They either deal comparatively with some one phase of the subject or they describe and estimate a single policy of some important union. The present monograph differs from previous studies in that it aims to give a complete description of an American trade union. It has been undertaken in the belief that a study which included in connected form an account of the history, structure, and activities, even of a single union, would serve to supplement previous contributions by indicating the relations between the different parts of the subject. The Printers have been selected for description chiefly because their history covers a long period, and it is therefore possible to trace to their origin policies and methods which have since been adopted by other unions. Moreover, the records of the Printers, both local and national, have been better preserved than those of any other American union.

The present study does not include any account of the relations of the Printers with the organized workmen of other trades. It is a study in trade unionism, in the narrower sense, as distinguished from industrial unionism. The International Typographical Union, the central organization of the Printers, and, to a less extent, the local unions of printers have included at one time or another pressmen, bookbinders, typefounders, stereotypers and electrotypers, photo-engravers, newspaper writers, and mailers. The total number of workmen of allied trades thus affiliated has, however, at no time been more

than one-tenth of the number of printers. Moreover, the unions of allied trades, with one exception, have either withdrawn from the International Typographical Union to form independent national organizations, or, as in the cases of the typefounders and the newspaper writers, have dissolved their organizations. Interesting and important as the attempts to bring the workmen of all the printing trades into a federation are as experiments in industrial unionism, they form no integral part of the history of the Printers.

I am deeply indebted to many persons for aid in the prosecution of this study. President James M. Lynch and Secretary J. W. Bramwood of the International Typographical Union have not only been uniformly kind in giving information, but have also permitted me to use the records of the International Union, which include unpublished official decisions and correspondence. Mr. William B. Prescott, president of the International Union from 1891 to 1898, has spared much time and trouble to explain many phases of the union's policy in the light of an intimate acquaintance with a most important part of its history. The officers of the employers' associations in the printing trade have been equally courteous. Secretary John Macintyre of the United Typothetae and the late Mr. Frederick Driscoll, Commissioner of the American Newspaper Publishers' Association, cheerfully gave information concerning the activities of their organizations. Mr. William Green, as chairman of the Executive Committee of the Typothetae, allowed me to read the unpublished minutes of his committee. The secretaries of the venerable New York and Philadelphia typographical societies permitted me to have transcripts made of the early minutes of their societies. I have received also much valuable help, of which I can here make but general

acknowledgement, from the officers and members of local unions and from employing printers.

Suggestion and encouragement have been received at every stage of the inquiry from Professor Jacob H. Hollander. Dr. D. A. McCabe has kindly read a considerable part of the manuscript and has made many useful suggestions. I have followed, as far as my material permitted, the classification of trade-union function and the terminology employed by Sidney and Beatrice Webb in their "Industrial Democracy."

Parts of chapter XI appeared in an article, entitled "Introduction of the Linotype", in the *Yale Review* for November, 1904, and parts of chapters V and XVIII were published in "Studies in American Trade Unionism", edited by Hollander and Barnett (Henry Holt & Co., New York, 1906). I am indebted to the editors of the *Yale Review* and to Messrs. Henry Holt and Company for permission to reproduce them here.

GEORGE E. BARNETT.

Johns Hopkins University,
May, 1909.

PART I
HISTORY AND GOVERNMENT

CHAPTER I

THE RISE OF LOCAL UNIONS

The history of association among American journeymen printers begins with the last quarter of the eighteenth century. Mass meetings for the purpose of considering trade questions were held in New York in 1776 and in Philadelphia in 1786;¹ and it is probable that similar meetings were called from time to time. At these meetings a statement of the demands of the journeymen was formulated; a committee was appointed to deal with the employers, if a new wage list had been framed; and the printers present pledged themselves to stand out for the prices agreed upon. Such temporary organizations were formed naturally in times of general discontent, when the feeling that the prices for work were unsatisfactory was widespread.

Continuous organizations of journeymen printers, known as societies or associations, were formed in New York, Philadelphia, Baltimore, and Boston before the close of the eighteenth century or shortly thereafter. In New York, an association known as The Typographical Society was in existence from 1795 to 1797. None of its minutes are preserved, but it is probable that it maintained for a time a price list.² In 1799 the Franklin Typographical Society was organized in the same city. Our information concerning it is confined almost entirely to refer-

¹ Ethelbert Stewart, "A Documentary History of the Early Organizations of Printers," in *Bulletin of the Bureau of Labor*, No. 61, November, 1905, p. 860.

² *Ibid*, p. 863.

ences in the minutes of other societies of the period.³ In December, 1802, the Philadelphia Typographical Society received from the "Franklin Association" a letter, "intimating their appointment of a committee for the purpose of drafting a petition to Congress for laying an additional duty on imported European books." In August, 1803, during an epidemic of yellow fever in New York, a committee was appointed by the Philadelphia society to solicit subscriptions for the relief of "journeyman printers distressed by the calamity which has befallen the city of New York." They reported that they had collected \$83.60; and on September 17, 1803, a letter of acknowledgment from Mr. Jacob Franks, the president of the Franklin society, was read to the directors of the Philadelphia society. Under date of August 26, 1809, the secretary of the New York Typographical Society, organized in that year, wrote that the price for presswork then paid had been "instituted by a former association in this city." The Franklin society had disbanded probably about 1804. The New York Typographical Society is still in existence.

The Philadelphia Typographical Society was organized in 1802, and is still active. There is some evidence, however, that there had been in Philadelphia a society of journeymen printers previous to this. At the first meeting of the directors of the Philadelphia Typographical Society, on November 13, 1802, a committee was appointed to obtain the books and papers of "the former

³ The early minutes of the Philadelphia Typographical Society and of the New York Typographical Society have been preserved and are in the possession of these societies. They are, as far as is known, the earliest records extant of American trade societies. An additional source of information for this period is a series of articles entitled, "A Historical Sketch of the Philadelphia Typographical Society," published in the *Printers' Circular*, Vols. 2, 3 (1867-1869). The author of these articles had access to important letters which have since been lost.

Asylum Company", and it was ordered "that the constitution be left open for the signatures of the former members on complying with the usual prescriptions." It is possible that the "former members" were members of the Asylum Company. On the other hand, the Typographical Society had been in existence for some months before the constitution was adopted, and the "former members" may have been those who had joined in the initial stages of organization.

The date of the beginning of continuous organizations of printers in Baltimore is equally uncertain. The Philadelphia society received letters from the Baltimore Typographical Society on June 28, and on November 25, 1803. Neither communication gives any indication as to when the Baltimore society was organized. There was a society of printers in Baltimore in 1809,⁴ and in 1811 the New York society ordered that a copy of an oration recently delivered before it should be sent to the president of the Baltimore Typographical Society. In 1815 the Columbia Typographical Society received a letter from the Baltimore Typographical Association. Whether the Association was the same organization as the Baltimore Society of 1803 cannot be determined.⁵

The existence of a society in Boston in 1803 is indicated by the resolution adopted by the Philadelphia society on December 24, 1803, directing its president to "write immediately to the presidents of the societies of Boston, Baltimore, and New York." The directors of the Phila-

⁴Glocker, T. W., "Trade Unionism in Baltimore before the War of 1812," in *Johns Hopkins University Circular*, April, 1907.

⁵The terms "society" and "association" appear to have been used interchangeably. In the minutes of the Philadelphia society, for example, the Franklin Society is sometimes referred to as the Franklin Association. The mere difference in the name as given in the minutes would, therefore, not prove that the organization was a different one or even that it had changed its name.

delphia society on August 26, 1809, received a communication from the Boston Typographical Society "containing a list of their prices, etc." It is possible that this was the same society referred to in 1803. In 1811 the New York society ordered a copy of an address delivered before it to be sent to the president of the Boston society. Sometime between 1811 and 1815, the society dissolved, for a new society was organized in Boston on November 25, 1815.⁶ There were thus organized in Boston from 1803 to 1815 certainly two societies and perhaps three.

No societies appear to have been formed outside of the four cities of New York, Philadelphia, Baltimore, and Boston before 1810. On June 30 of that year, the directors of the Philadelphia society received a communication "from the New Orleans Typographical Society enclosing a copy of their constitution," and "the president was authorized to write them a suitable answer." In 1815 societies were organized at Washington and Albany.

The societies formed from 1802 to 1815 were of a uniform type. All, as far as our information extends, were organized primarily to "raise and establish prices." The Philadelphia society, before it adopted a constitution, presented a price list to the employers. At a meeting of the New York society on July 29, 1809, less than one month after its organization, the members were urged to augment the membership "to the end that we may effect our grand purpose, the raising and establishing our prices." In a letter to the Washington society in 1815, John Revell, the president of the Baltimore association, declared that, in his opinion, "the establishment of a regular system of prices" was "very essential to the promotion of the inter-

⁶ MS. Minutes of the New York Typographical Society, March, 1816.

est and happiness of every association of a mechanical nature."⁷ All of the societies had in addition well defined beneficiary functions. The year 1815 marked the height of the movement. At that time, societies maintaining price lists were in operation in Washington, Baltimore, Boston, Albany, New York, and, perhaps, in New Orleans. In Philadelphia alone of the larger cities in the country, there was no association which attempted the regulation of prices, for the Philadelphia society had already become a purely beneficiary organization.

The period from 1815 to 1830 was highly unfavorable to the development of such associations. With the exception of the Franklin Society of Boston, organized in 1822 as a purely beneficiary association, no new society appears to have been formed during these years. Moreover, practically all the societies which had been organized in the earlier period either disbanded or transformed themselves into benefit societies. The New York society abandoned its attempt to maintain a price list in 1818, and the society formed in Boston in 1815 disbanded after a brief existence. The Baltimore and Albany societies survived somewhat longer, but by the year 1825 the only organizations of printers in the great printing centers of New York, Boston, and Philadelphia were purely beneficiary societies. The only society that survived to 1830 without entirely giving up the regulation of wages was the Columbia Society of Washington; and until 1835 its functions were chiefly beneficiary. Two facts thus stand out prominently in the history of the early societies: The greater part of them were short-lived, and those which did survive for any considerable time became purely beneficiary societies or subordinated greatly their trade-regu-

⁷ MS. Letter book of the Columbia Typographical Society, December, 1815.

lating aims. The chief point of interest in the history of the early societies lies in the explanation of these facts.

It has been sometimes suggested that the fear of criminal prosecution and, more particularly, the apprehension excited by the well-known prosecutions of the Córdwainers in Philadelphia in 1806, and in Baltimore and New York in 1809, retarded the development of trade unionism in the United States. The minutes of the Philadelphia and New York societies do not support this conjecture. Both societies carried their demands openly to the employers. In Philadelphia, in 1802, the names of the members of the society were printed at the foot of the price list. As far as can now be ascertained, the employers never suggested that such combinations were punishable criminally. The answer of the master printers to the proposal for an increase in wages made by the New York society in 1809 contains no hint that they considered the journeymen to be engaged in a lawless conspiracy.⁸

The trade-regulating activities of the societies were in no way affected by the prosecutions of the Cordwainers. No mention of the Philadelphia case is made in the minutes of the Philadelphia society, and the policy of the society showed no indication of change until much later. A very interesting series of passages in the minutes of the New York society details the proceedings on the occasion of the prosecution of the New York Cordwainers.⁹ A committee of the society reported that the charge against the Cordwainers was "in the letter of the law an unlawful combination for the purpose of raising and establishing prices." It was not until eight years later that the society gave up its purpose of "raising and establishing prices."

The real reason for the relinquishment by the societies

⁸ See Appendix 4.

⁹ The minutes of the New York society relating to the Cordwainers are printed as Appendix 1.

of their trade aims, if the experience of the New York and Philadelphia societies was typical, was the lack of support from the journeymen printers as a whole. All of the early societies were probably organized as the result of a widespread feeling that some concerted action was necessary either to increase wages or to prevent a reduction. Certainly the New York and Philadelphia societies came into existence under such circumstances. At the outset, a considerable number of the journeymen printers were willing to join, and those who did not probably supported the demands of the society.¹⁰ Where the society did not accomplish its purpose it probably fell to pieces almost immediately. If, on the other hand, it won its point, it continued to live and developed as a partly beneficiary and partly trade-regulating society. But the immediate aim of the society having been accomplished, members gradually lost interest and many ceased to pay dues or withdrew altogether.

In Philadelphia the paying membership of the society began to decline shortly after the establishment of a price list in 1802. The paying membership in 1802 was 54; and in 1806 the nominal membership, which included many who had no active connection with the society, was only 68.¹¹ In 1810 only 50 members were in good stand-

¹⁰ The friendly feeling between the "non-associated journeymen" and the Philadelphia society is illustrated by an incident which occurred in 1803. On August 22, the directors of the society received a committee "from the printers who have met at Mr. Kitts's." The committee assured the directors of the support of the unaffiliated journeymen, who outnumbered the members of the society.

¹¹ The society, as its president pointed out in 1807, was "established upon a principle differing from all other benevolent institutions, viz., that it has no power to expel a member who refuses to pay his fine or contribution." A member who did not pay his dues for three months lost his right to relief and his right to vote, but he might resume active membership at any time he pleased (MS. Minutes of the Philadelphia Typographical Society, May 2, 1807).

ing, a smaller number than the society had at its origin. The experience of the New York society was not substantially different, except that interest was longer sustained. In 1815, six years after its formation, the society was able to establish a new price list. In 1816 complaints that members would not pay their dues became frequent. On March 30 of that year, a committee was appointed "to propose a method whereby the members of the society may be increased; and to compel all those working at the business as regular journeymen to become journeymen members"; but the committee could devise no better plan than the appointment of a "committee of vigilance", whose duty it should be to induce unaffiliated journeymen to join.

The mere falling off in numbers would not necessarily have worked the elimination of the trade-regulating activities, since in any emergency the membership might have been increased from the "non-associated journeymen." But the decrease in numbers was accompanied by a change in the character of the membership. Those who remained in affiliation and such new members as came in were, for the most part, attracted by the beneficiary activities, which, in ordinary times, constituted most of the work of the societies. The whole attention of the societies thus gradually came to be centered on their beneficiary functions.

A peculiar feature of the scheme of benefits adopted by the New York and Philadelphia societies contributed to this result. The constitutions of both societies provided that a member who had paid dues for ten years became "free", and was not required to pay dues, although retaining his beneficiary rights. Both societies realized that if they were to carry out this compact productive funds must be accumulated. The expenditures of the two

societies were always small in comparison with their incomes, and the savings were invested. After an existence of eight years, the Philadelphia society had bank shares of a par value of \$1000, the dividends on which constituted about one-fourth of the total income of the society. The New York society, though it had paid less attention to the accumulation of a fund at the outset, had by 1818 productive investments to the amount of \$700.

As the funds of the societies increased, and the time approached when many members would be relieved from the payment of dues, every diversion of funds to any other purpose than those prescribed in the constitution was vigorously resisted. On March 7, 1818, the directors of the New York society, in protesting against an allowance to the wife of a member not sanctioned by the rules, said: "In a short time many members will have paid in their full amount of dues . . . Thus the income will diminish while the expense and demands will continue the same; and these worthy and faithful men must be remembered in our proceedings that we may be able to do them justice in time of sickness and distress." A feeling grew up in both societies that new members, since they had contributed nothing to the funds, should pay a larger initiation fee than had originally been required. In the Philadelphia society the fee was raised from one to two dollars in 1807, and in 1810 it was raised to five dollars. In the New York society the fee was increased in 1813 and again in 1818.¹²

As the accumulated funds increased, the societies began to be solicitous concerning their safety from theft. In

¹² The preamble to the resolution adopted in 1813 indicated the feeling of the society: "Whereas, the flourishing condition of the funds will now warrant an increase and the old members who have borne the heat and burden of the day feel such an increase justifiable and proper."

both the New York and Philadelphia societies the treasurer was elected by the board of directors; and those who voted for the person chosen were required to sign his bond. The societies were soon aware that the bond furnished no adequate security. A committee of the Philadelphia society pointed out in 1809 that the only method of securing the funds was to obtain an act of incorporation, which, in their opinion, "would add respectability to the society, as it would then be known both in law and in fact." The committee added that the trade regulations could still be maintained by "inserting an article in the act reserving to the society the power of making laws, and then again making the said by-laws binding by very high fines on the members."¹³ Little concern was expressed, however, on that score. A resolution declaring that it was "expedient to have the Philadelphia society incorporated as soon as possible" was adopted; and on January 17, 1810, the act of incorporation was signed. The society made no attempt after its incorporation to maintain a price list. When in September, 1810, an effort was made to establish a new price list in Philadelphia, it was made by a mass meeting.¹⁴ The New York society, influenced by the same consideration, appointed a committee in July, 1815, six years after its formation, to secure a charter from the legislature. The society had no intention at that time of giving up its trade-regulating functions, but the legislature was unwilling to grant a

¹³ MS. Minutes of the Philadelphia Typographical Society, March 25, 1809.

¹⁴ The following notice appeared in the Philadelphia *Aurora* of Sept. 5, 1810:

TO JOURNEYMEN PRINTERS

The Journeymen Printers of Philadelphia are requested to attend a meeting on Monday next at half past seven o'clock in the evening at Jonathan Carson's in 6th near Chestnut Street on business of importance.

charter unless it contained a specific prohibition of "any interference in respect to the price of labor." The society after some delay determined in 1819 to renounce its trade activities in exchange for a charter.

The widespread revival of interest in labor organization which began about 1830 was shared fully by the printers. From 1830 to 1836, printers' associations were formed in New York, New Orleans, Baltimore, Cincinnati, Philadelphia, Richmond, Natchez, Charleston, Harrisburg, Nashville, Mobile, Augusta, Ga., and Columbia, S. C.; from 1836 to 1840, in Boston, Lexington, Ky., St. Louis, Louisville, Vicksburg, Columbus, O., Detroit, Rochester, Frankfort, Ky., Tallahassee, and Jackson, Miss.¹⁵ The larger number of these lived only a short time, and the only existing unions which date their origin from that period are the Baltimore union (Baltimore Typographical Society) and the Richmond union (Richmond Beneficial Society).¹⁶ By 1840 the movement had subsided and it is probable that by that time very few of the associations were left in existence. In New York, Boston, and Philadelphia the only organizations of printers were the beneficiary societies, which had survived from the earlier period. The fall of the associations appears to have been due primarily to much the same cause as that of the early societies. The collapse was even more complete because the beneficiary functions were less developed and did not perpetuate the life of the organizations when the spirit of combination died out. It is significant that the only organizations which have survived from that period,

¹⁵ Our knowledge of these organizations is in most cases derived entirely from the correspondence preserved in the records of the Columbia society.

¹⁶ It is possible also that the Mobile and Nashville unions have had a practically continuous existence since that period.

the Baltimore and Richmond societies, had for a considerable time highly developed beneficiary functions.

Since 1830, however, the movement for organization among the printers has possessed a certain continuity, and no recession of such length as that from 1820 to 1830 has occurred. Even during the ebb from 1840 to 1847, associations were organized in New York (1844), Cincinnati (1846), and Albany (1847). About 1848 the organization of new local unions began to go on more rapidly. Unions were organized at Boston and Indianapolis in 1848, at Pittsburg in 1849, at New York, Philadelphia, Trenton, and San Francisco in 1850, and at New Orleans in 1852. Since 1850 organizations of printers for maintaining the prices of labor have been in continuous existence in practically all the larger American cities.

Even since 1850 the movement for organization has not gone forward steadily, but has sometimes moved rapidly and then again has gone backward. The first check was caused by the Civil War. In 1860 there were thirty-four unions with a membership of 3492, but by 1862 the membership had dropped to 1585. From 1862 to 1872 the membership and the number of unions steadily increased. From 1873 to 1878 the membership fell from 9797 to 4260, and the number of unions decreased from 105 to 60. Beginning with 1878, both the number of unions and the membership steadily increased until 1894, when the typographical unions numbered approximately 300 and the membership aggregated 30,000.¹⁷ A period of decline followed until 1897, when another period of

¹⁷ The number and membership of the local typographical unions cannot be ascertained exactly for 1894, since from 1891 to 1898 the number and membership of the local unions of allied trades included in the International Typographical Union were not separated from those of the local typographical unions. In Appendix 7 the number of local unions and the membership is given by years from 1853 to 1908.

expansion ensued until 1905, when there were 654 local unions with a membership of 45,435. The number of local unions and the membership decreased again in 1906 and 1907.

The periods of recession coincide with times of industrial depression. The depression of 1873-1878, however, caused a much greater falling off than that of 1893-1897. In the former depression the membership was reduced over one-half, while in the latter the recession was about one-tenth. The decline in membership since 1905 has been due to an exceptional cause, the national eight-hour strike. The magnitude of this strike is attested by the fact that it is the only industrial dispute which has ever caused a decrease in the number of members.

CHAPTER II

THE FORMATION OF THE NATIONAL UNION

The local associations of printers were for many years entirely independent of each other, but almost from the beginning of the nineteenth century they corresponded on matters of mutual interest. Thus in 1802 the Franklin Typographical Society of New York, as has been noted above, proposed to the Philadelphia society that they should act together in securing the imposition of an additional duty on imported books. In 1803 the Baltimore society requested the Philadelphia society to concur in a resolution concerning apprentices.¹ Announcements of a purely friendly character, such as notices of the election of officers, were frequently sent.

The chief occasion for communication and coöperation among the early societies was the formation by one of them of a new price list. At such times the other societies were notified in order to forestall the anticipated efforts of employers to secure workingmen from other cities. If a strike resulted, the other societies were asked to give notice to the journeymen printers in their localities. The earliest communication of this kind of which we have record was sent by the Philadelphia society in 1803. On August 17 of that year, five master printers advertised in the *Aurora and Daily Advertiser* for "sober young men from the country who have been accustomed to press work." The society inserted a counter advertisement,² and ordered letters to be sent to the "different

¹ See below, p. 161 n.

² The two advertisements are here reprinted as they appeared in the *Aurora* for several days after August 19:

societies in the United States, informing them of those steps taken to counteract the proceedings of the employers in this city." On December 24, the president of the Philadelphia society was authorized to write immediately to the presidents of the societies at Boston, Baltimore, and New York, "giving them a statement of the situation of the business and informing them that there are a number of journeymen now unemployed in this city, and requesting them to use their influence in preventing any imposition upon the general interests of the business."

The New York society, on October 21, 1809, instructed its secretary "to transmit a copy of the list of prices to each of the typographical societies in the United States and inform them of our intention of standing out for the wages mentioned therein, in order that their members might not be deceived by advertisements for journeymen."³ The employers in New York persisted in their

TO PRINTERS

Sober young men from the country who have been accustomed to press work will certainly meet with employment at the highest prices on application to

(Signed by Robert Carr and four others).

TO PRINTERS

We the undersigned, Directors of the Philadelphia Typographical Society, assure all "*sober young men*" now in the country who may have been accustomed to "*Press Work*" that workmen of that description may easily be obtained *here*, by those offices where situations are eligible and the employment permanent, and we do not hesitate to declare that the advertisements which frequently appear inviting them to town are *often delusive*; and, we are sorry to add, sometimes cause the undutiful and thoughtless to stray from their masters.

(Signed by Geo. White, president, and the other directors.)

The editors of the *Baltimore Telegraph* and the *New York Advertiser* are requested to insert the above daily three times and furnish their accounts to William Little, Secretary of the P. T. Society.

³ A letter from the secretary of the New York society to the

attempts to secure journeymen from without the city; and on May 26, 1810, the society ordered its secretary "to inform the different typographical societies in the United States that this board have reason to believe that it is the object of the master printers in this city, by advertising for a great number of workmen, to fill the city with hands and thereby be enabled to reduce the prices of work in this city to their former standard."

The societies notified appear in every case to have interested themselves, and to have used every effort to prevent the employers from securing workmen. The action of the New York society in 1810 illustrates the methods employed. On September 22, a letter was read to the board of directors from the journeymen printers of Philadelphia, who were "standing out" for a new price list. A special meeting of the society was called, the action of the "typographical brethren of Philadelphia" was approved, and the members were urged to make every exertion to prevent their defeat through the importation of printers from New York.

Another form of coöperation among the societies, discussed and initiated but not largely employed, was the exchange of the names of offending journeymen. On December 10, 1808, the directors of the Philadelphia society determined that, if a member should be expelled for teaching the trade to a person over the age of eighteen, notice of his expulsion should be "communicated to the different typographical associations in the United States." On August 19, 1809, the board of directors of the New York society, preparing for the enforcement of a price list, directed their secretary to open a "correspondence with the different typographical societies in

Philadelphia society written somewhat later in the strike is printed as Appendix 2.

the United States and request them in cases where persons may have acted dishonorably towards their societies and might be about departing for this city that they would transmit information thereof to us, the favor of which would be reciprocated." In communicating this proposal, the secretary argued that the fidelity of the members would be better assured if it were known that persons who acted dishonorably would be reported to the societies in other cities. The Philadelphia society agreed to the plan, and promised to forward the names of any of its members who should "act derogatory to the principles of the institution" and leave for New York;⁴ but the president of the society in communicating this action expressed his strong personal dissent. The replies of the other societies, if any were received, have not been preserved.

The arrangement was not, at the time, considered important. In a letter to the president of the Philadelphia society, dated November 13, 1809, the secretary of the New York society, referring to the proposal, said, "We have to regret that the communication of the 18th should have created so much trouble upon a point evidently of little importance."⁵ The Philadelphia society never transmitted the name of any person. On November 4, 1815, two members of the New York society were expelled and their names were sent to the other typographical societies. The New York society appears to have been reluctant to denounce printers who had opposed the enforcement of its trade rules unless they were members of the society. In December, 1809, a journeyman who was not a member of the society had taken a situation in the office of the *Public Advertiser* at less than the society rate, and the

⁴ MS. Minutes of the Philadelphia Typographical Society, October 28, 1809.

⁵ See Appendix 2.

members who were working in the office proposed to debar him from ever becoming a member. It was also suggested that the secretary of the society should be "empowered to report him to the other typographical societies in order that they might be aware of him and treat him with the contempt which his baseness deserved."⁶ The society agreed readily enough to debar him from membership, but refused to transmit his name.

The most interesting early occasion of this kind was the reporting, in 1816, by the Albany society to the New York society, of the names of five printers who had worked below the established prices in an Albany office. One of these men shortly afterwards came to New York to secure employment. A meeting of the journeymen printers was held, and resolutions in condemnation of his conduct were passed. This mass meeting was evidently managed by the New York society.⁷

A third method of coöperation, destined later to play the largest rôle in the development of closer relations among the local unions—the admission on favorable terms of the members of one society by all the others—was discussed by the early societies, but not adopted. Ordinarily the societies required from all applicants for membership the payment of an initiation fee, and did not admit to full benefits until six months or a year after entrance. In 1816 the New York society appointed a committee to correspond with the other societies "to induce the several societies to come to a general understanding" that the members of a society on removing to another city might be admitted immediately as mem-

⁶ MS. Minutes of the New York Typographical Society, Dec. 2, 1809.

⁷ *Ibid.*, October 3 and December 7, 1816, and February 22 and March 1, 1817. See below, p. 216.

bers in full standing to the society established there. It was anticipated that the adoption of such an agreement would secure for travelling members not only the stated benefits, in case they fell ill, but assistance in obtaining employment and other fraternal services as well.⁸ The Philadelphia society, to which the matter was broached, was unable to enter into the proposed alliance because under its charter no person was eligible to membership who was not a citizen of Pennsylvania, and no person could receive benefits until he had been a member for six months. Consequently the plan was abandoned.

During the years from 1816 to 1830, the benefit societies of the period issued certificates to their members when they removed to other cities. In 1818, for example, a certificate of membership was issued to a member of the New York society who, on account of ill health, was about to depart for the South. The certificate was intended "to testify among strangers his worth as a citizen and member of the society." Such certificates were not recognized officially, yet they secured for the holder a certain amount of attention from the members of other societies if he was in distress, and were an aid in obtaining work.

In 1824 the Franklin Typographical Society of Boston proposed to the New York society the formation of "a

⁸ MS. Minutes of the New York Typographical Society, February 3 and April 6, 1816. The committee thus described the advantages which would result from the adoption of such an agreement: "The object in view is to afford a mutual benefit to the members composing the different societies and the societies themselves; it will be an inducement to the members of the profession to join the several societies in the places where they may have served their apprenticeship for the purpose of procuring, on their departure for another place, a recommendation to the society there; by which they will be enabled to procure work with greater facility and to secure to themselves friends, who in case of sickness will stretch forth the hand of friendship to aid and comfort them."

more efficient union than at present exists between individual societies in the different towns." Each society was to give relief to the members of other societies, and the sum expended was to be repaid by the association from which the member came. The Franklin society issued at that time a certificate of membership to "every member leaving town in a respectable manner"; and a similar certificate, under the proposed plan, was to be the proof of membership.⁹ The New York society, which had been incorporated in 1819, answered that the terms of their charter forbade their entering into such an agreement.

The numerous associations of printers organized in the thirties renewed and strengthened all three of the forms of inter-society relations described above. Several of the associations made explicit provision in their constitutions for issuing certificates to members leaving the city, and it is probable that all issued them. In some societies the certificates secured the admission of the bearers to full membership immediately. The Baltimore society, for example, provided in its constitution of 1832: "Any person presenting a certificate of membership from another typographical society shall be entitled to a seat as a member and enjoy all the benefits of this society, if the society from which he comes reciprocates the same privilege."¹⁰ Other societies, especially such as had highly developed beneficiary features and accumulated funds, were less liberal. The associations at this time transmitted the names of unfriendly and unfaithful printers with far less restraint than in the early period. In 1855 the Columbia society denounced to the other societies several men who were working in an "unfair"

⁹ The letter from the secretary of the Franklin society is printed as Appendix 3.

¹⁰ Constitution of the Baltimore Typographical Society, adopted 1832 (Baltimore, 1832), Art. XVIII.

office in that city; and the printers in Philadelphia, whence these men had come, issued a circular depicting them in a woodcut as rats.¹¹

The first suggestion that the local associations should form an organization, in order to secure coöperation more effectually, was made in 1834. During the years 1834-1835, the Columbia society was engaged in a struggle against the establishment in Washington of a training school for printers.¹² As a result the society became widely known to the printers of the country and carried on a large correspondence with the other associations on trade matters. The contact thus stimulated among the local societies probably suggested the idea that their union in a national organization would be helpful.¹³ In March, 1834, the Columbia society appointed a committee to report "the most proper and effectual course to pursue to bring about the establishment of a National Typographical Society." The committee proposed that a correspondence should be opened with the various societies; but the suggestion was not adopted.

In November, 1835, the Franklin Typographical Society of Cincinnati issued a circular to the other societies proposing the formation of a "National Typographical

¹¹ *Printers' Circular*, Vol. 4, p. 327. The term "rat" is used by the union printers as an epithet for printers who work under price or who violate the regulations of the union. The first use of the term in the United States in the society records is in the minutes of the New York society in a letter from the Albany society, dated Nov. 20, 1816. The term was almost certainly brought from England.

¹² See below, pp. 164 *et seq.*

¹³ The idea of national organization was evidently abroad at this time. The National Trades-Union, a union of the local trades-unions or central unions, was formed in 1834. See Commons, "Labor Organization and Labor Politics, 1827-1837," in *Quarterly Journal of Economics*, Vol. 21, p. 323. The Philadelphia Journeymen House Carpenters in 1836 issued a call for a national convention of carpenters (*Washingtonian*, October 17, 1836).

Society." This organization was to secure three results: "First, that each society, in its own district, be sustained by all others in the efforts made to secure them employment. Second, that journeymen bringing certificates of membership in any society of good standing receive a preference over all others in the efforts made to procure them employment. Third, that rats pronounced such by one society be considered as such by all societies."¹⁴ A committee of the Columbia society appointed to consider this plan reported that while the societies were already coöperating in the ways indicated, the formation of a national society would add a sense of obligation and result in the better observance of the principles which had been gradually established. The committee particularly commended the statement of the Cincinnati society that "the certificate of membership ought no longer to procure from us a mere assent of the good standing of the holder but should call forth our active friendship for the bearer—our zealous efforts to get him into employment in preference to all others."¹⁵

Acting on these recommendations, the Columbia society issued a call for a national convention to consider the formation of a national union. On November 7, 1836, delegates from the associations at Baltimore, New York, Harrisburg, Philadelphia, Washington, and New Orleans assembled in Washington. The convention was in session for a week and framed a constitution for the National Typographical Society. The purposes of the organization were not defined in the constitution, but were set forth clearly in an "Address to the Local Societies"

¹⁴ MS. Minutes of the Columbia Typographical Society, November, 1835.

¹⁵ *Ibid.*, December, 1835; *Printers' Circular*, Vol. 4, p. 368.

issued by the convention.¹⁶ Apart from certain regulations as to apprenticeship,¹⁷ the prominence of which was largely due to recent occurrences at Washington, the proposed coöperation of the societies was to take substantially the same forms which it had assumed for some years: (a) The societies were to sustain each other in their regulations. (b) No member of one society was to work in an office where a printer expelled by any one of the societies was at work. Men pronounced "rats" by one society were to be considered such by all others. (c) Blank cards were to be issued by the officers of the national society to the local societies, and these cards were to be given to members about to leave the jurisdiction of a local society. Any person presenting a card from one society was to be admitted to the trade benefits of any other society, and, if he paid the initiation fee, to the full benefits.

The first session of the National Society was held in New York in September, 1837, and was attended by delegates from the societies at New York, Philadelphia, Baltimore, Washington, Cincinnati, Harrisburg, Mobile, and New Orleans. The name of the organization was changed to the National Typographical Association. The only important addition made to the rules was the adoption of a requirement that a member of one society on removing into the jurisdiction of another should "wait on some one connected with the association and show his card."¹⁸ The National Association adjourned to meet in Pittsburg in September, 1838. So far as can be learned, the meeting was not held; and this movement for national

¹⁶ Proceedings of the National Typographical Convention, Washington, 1836.

¹⁷ See below, p. 165.

¹⁸ MS. Minutes of the Columbia Typographical Society, January 6, 1838.

organization died out. Though the National Association thus lived only a brief time, it undoubtedly exerted a considerable influence in spreading and establishing uniform principles of inter-association coöperation.

The genesis of the present national organization can be traced to an editorial advocating the formation of an "American Printers' Union" which appeared in May 1849, in the *Boston Guide*, a small quarto devoted to the interests of the journeymen printers.¹⁹ The union was to be composed of delegates from the local unions. "This Union," said the *Guide*, "should be possessed of the power of granting charters to subordinate unions; to endeavor to promote their formation throughout the country; to act as a council of advice and exercise a general control."²⁰ The idea was favorably received by the then newly organized unions in Boston, New York, and Philadelphia; and on November 1, 1850, these unions joined in a call for a convention to be held in New York on December 2 of the same year. At the time appointed, delegates assembled from Albany, New York, Philadelphia, Baltimore, Trenton, and Louisville.

The chief work of the convention was the drawing up of "An address to the Journeymen Printers of the United States", in which the functions of the proposed national organization were described. The framers of the address anticipated that such a union would ultimately serve as an agent in the "destruction of those unnatural relations at

¹⁹ There is reason to believe that the founders of the Order of Faust, a secret organization of journeymen printers which existed in New York in 1843, contemplated the formation of similar associations in other cities and ultimately the organization of a national order. See Slawson, "A Brief History of the National Typographical Union," in *Proceedings of the National Typographical Union*, 1858, pp. 33-40.

²⁰ Slawson, *op. cit.*, p. 33.

present subsisting between the interests of the employing and the employed classes", and in the inauguration of the coöperative commonwealth. But the practical proposals for immediate action were substantially the same as those offered by the National Society in 1836. The national proscription of "rats" and the issuing of "travelling certificates" were the vital points in the program offered. Each union was to have the right in time of strike to borrow from sister unions to the amount of one dollar from each member.²¹

The Second National Convention of Journeymen Printers met in Baltimore on September 12, 1851. Representatives from eleven unions were present. A committee was appointed to report a plan of organization "on the basis that the National Union of Printers was to be the supreme legislative head vested with certain executive powers to be exercised during the recess by its officers."²² The constitution drawn up by the committee was approved by the convention. It was to go into effect when it had been ratified by the unions of five states.²³ The requisite number of unions having signified their assent, the Third National Convention of Journeymen Printers met in Cincinnati on May 3, 1852. After some preliminary proceedings, the convention resolved itself into the

²¹ Proceedings of the National Convention of Journeymen Printers of the United States, New York, 1850.

²² Proceedings of the Second National Convention of Journeymen Printers, Baltimore, 1851, p. 11.

²³ In the formation of their national organization, the Printers followed with curious precision the proceedings of the convention which framed the Constitution of the United States. The provision that the constitution should be ratified by the unions of five states was, for example, a rather forced imitation of the similar provision in the Constitution of the United States. There was not at the time any state organization of printers; the unit in the federation was the local union.

First Session of the National Typographical Union.²⁴
The national organization thus formed has continued to the present time.

²⁴ Proceedings of the Third National Convention of Journeymen Printers of the United States, Cincinnati, 1852.

CHAPTER III

THE RELATION OF THE NATIONAL UNION TO THE LOCAL UNIONS

The constitution adopted in 1852 gave the National Union supreme power over the local unions. It was to be "acknowledged, respected, and obeyed by each subordinate union in the country." The local unions assembled "under its warrant", and, as "the ultimate tribunal", it had "power to regulate, fix, and determine the customs and usages in regard to all matters pertaining to the craft." As far as words make a constitution, the sovereignty of the National Union could hardly have been more thoroughly established; but, for many years, it did not exercise any considerable part of the large powers thus nominally entrusted to it.

From 1852 to 1884 the National Union was merely an organ for defining and elaborating the terms of the agreement already tacitly existing among the local unions. By the establishment of definite rules and by the adjudication of disputes, the National Union made the coöperation of the local unions more effective along all three of the lines described in the preceding chapter; but it added no new form of coöperation. For thirty years the one purpose of the National Union was thus to build up among the local unions such a community of feeling as to make it as difficult as possible for employers to secure workmen in time of strike. Each local union was expected to aid in

¹ The local unions are always referred to in the official publications as "subordinate unions." The two terms are used throughout this monograph as synonymous.

restraining all printers, unionists or non-unionists, from violating the scale of any other local union. In time of strike in one city the other local unions were to prevent, to the best of their ability, the importation of workmen from their localities. A printer who had injured the trade interests of one local union and had been denounced was to be regarded by every other union as having injured its interests.

The concentration of attention for so many years on the one aim of controlling the movement of journeymen printers was due to the character of the printing industry. The goods made by some classes of workmen, as for example, the iron-moulders or the shoe workers, have a wide market, and the goods made in one city come into competition with those made in other places. The market for the product of the printer, on the other hand, is almost entirely local. Much of the work is done to order, and, as in the case of all custom work, it is desirable that the office should be near the customer.² In the other great division of the trade, the printing of newspapers, the work must be done ordinarily in the same town in which the newspaper reader lives. The printers in any one city have not been much concerned, therefore, with the competition of printing offices in other cities; but they have always faced the possibility that in any disagreement with employers workmen from other cities might be imported to take their places. A further consequence of the character of the industry was that an increased demand for printed matter in any locality was ordinarily met by bringing in printers. Every meeting of a state legislature, every session of Congress, necessitated a movement of this kind. The amount of this migration is

² The competition among offices in different cities for certain kinds of printing has grown much keener in recent years with improvements in transportation and in the means of communication.

suggested by the number of travelling cards issued by the local unions. In 1859, when the number of members reported was 2181, the unions reported that 278 had been admitted by card. In 1885, when the membership was 16,183, the number admitted during the year by card amounted to 7006.

The rules for the control of the movement of printers, gradually evolved by the annual sessions of delegates from the local unions, were, briefly, as follows: The National Union issued to the local unions certificates of membership known as "cards." Any member in good standing leaving for another city could obtain one of these from his local union. The card entitled the bearer to the "friendship and good offices of all unions under the jurisdiction of the National Typographical Union." Each local union was required to admit to membership, without the payment of an initiation fee, all printers with cards. Every unionist, upon securing work within the jurisdiction of a local union, was bound, under penalty of expulsion, to deposit his card. A printer who came without a card was not to be admitted to membership until he had explained satisfactorily his failure to present one. If any one of the local unions declared a union printer "unfair", it was the duty of the local union of which he was a member to withdraw his card. A printer expelled by one local union was not to be admitted to membership by any other.³

Trade policies were discussed, from time to time, by the National Union, and its conclusions were formulated in "general laws"; but the rules relating to trade ques-

³ The effectiveness of the card system in preventing violations of union rules depends chiefly on the power of the unions to exclude non-members from employment. See p. 287. Certain positive advantages accruing from membership, such as fraternal assistance, also aided in making travelling printers reluctant to forfeit their cards.

tions were almost without exception phrased as mere recommendations to the local unions.⁴ In the ten closely printed octavo pages covered by the "general laws" in 1884, practically the only mandatory rules were those concerning the card system. Undoubtedly, the pronouncements of the National Union on trade questions tended to produce a certain amount of uniformity in the policies of the subordinate unions; but how slight that effect was may be judged from the naïve statement of a committee appointed in 1874 to codify the "general laws": "It is a matter of congratulation that in twenty-one years of our National existence, the legislation of this body has been so consistent as to be almost monotonous, and that we have not had occasion to undo at one session all that was done at a previous one; we have rather been enacting over and over the same thing. This arises, no doubt, from the fact that every session of this body is composed almost entirely of new men, who have not the entire proceedings before them, and, in fact, have never had an opportunity to read them."⁵

Even the card system was loosely enforced. If a local union disobeyed a National rule, the only penalty provided was expulsion.⁶ The Union was reluctant to deal harshly with its constituent local unions, and contented itself with admonition. On several occasions, the National Union refused to adopt rules which provided for imposing fines on local unions. The card system was

⁴ Proceedings of the National Typographical Union, 1864, p. 94. The Proceedings of the National Union are, for brevity, referred to hereafter as Proceedings.

⁵ Proceedings, 1874, p. 37.

⁶ Art. X, Sec. I of the constitution for many years read as follows: "General laws for the government of the craft throughout the jurisdiction of this National Union may be enacted and enforced by this body; and any union within its jurisdiction refusing to abide by its laws and decisions shall be expelled."

maintained by the feeling of comity among the local unions and by the fear of retaliation, and not through the exercise of any power invested in the National Union.

Nominally the National Union also had power to decide every question which a subordinate union or any member of a subordinate union might submit; but, for a considerable period, the Union refrained from deciding questions other than those concerning the card system. The appeals were, in fact, not so much questions as to the interpretation of the rules as complaints that they had been violated. If one local union, for example, admitted to membership a printer who had been denounced as a "rat" by another local union, the offended union might appeal to the National Union. The appeals were thus, in effect, indictments for violations of the card system. Occasionally, also, a member of some local union complained to the National Union that he had been unjustly expelled, and thus secured from his local union a rehearing of his case.

Almost from the foundation of the National Union, the extension of its functions in various directions was urged by the more vigorous of its officers.⁷ These proposals took chiefly two directions. The establishment of a national fund for the aid of local unions when on strike was advocated by the more aggressive reformers; and others, more intent upon securing uniformity of trade policies, urged that the National Union should formulate a constitution for the subordinate unions. The "uniform constitution" was to be amended only by the

⁷ The earliest chronicler of the Union, writing in 1858, said: "The Union has generally assumed the position of mild expostulation or recommendation to subordinates rather than that of dictation. Indeed, many good union men have complained that the parent body was too indulgent a parent and not sufficiently positive in legislation" (Slawson, *op. cit.*, p. 39).

National Union, and the local unions were to make only such by-laws as did not conflict with its provisions. The National Union might thus write any provision it saw fit directly into the constitutions of the local unions. It was hoped that the local unions would observe the provisions of their constitutions better than they had observed the "general laws" of the National Union.⁸ The project of establishing a national fund was discussed at the organization of the National Typographical Society in 1836; and in 1853 the National Union gave some consideration to plans for raising such a fund; but no satisfactory conclusion was reached.

The proposal to adopt a "uniform constitution" for the local unions accorded better with the existing activities of the National Union, and was urged more persistently. At the first session of the National Union, a committee was instructed to draft a constitution for subordinate unions, but reported that it was unable to agree. The subject was brought up in 1853, and again in 1855. From 1858 almost every session considered a new plan for bringing the constitutions of the local unions into closer accord.⁹ In 1864 the National Union finally framed a constitution for local unions; but the next session of the Union condemned any interference with local autonomy as "wrong in principle and inexpedient in practice."¹⁰

Until the close of the Civil War the discussion of both plans had been desultory. The rapid increase in membership at that time inclined the Union to consider improve-

⁸ The National Typographical Society had proposed, in 1836, the same method of securing uniform action by the local societies. The twenty regulations of the National Society were to be adopted by the local societies and were thus to become "binding upon the whole, as general laws, for the government of the Craft" (Proceedings of the National Typographical Convention, Washington, 1836).

⁹ Proceedings, 1858, pp. 4, 27; *Ibid.*, 1859, p. 21; *Ibid.*, 1860, p. 44.

¹⁰ *Ibid.*, 1865, p. 42.

ments in its organization. In 1866 the National Union instructed its president to ascertain the views of the subordinate unions as to the desirability of establishing a national fund.¹¹ President Oberly was keenly interested in increasing the activities of the Union. In a vigorous address to the session of 1867, he pointed out the weakness of the national organization and asserted that the only business of importance transacted by the Union was the decision of appeals. The card system was in his opinion the only legislation of the National Union which had "had a tendency to bind together union printers with the bonds of fraternal communion and friendly alliance." He bluntly declared that the expense of the annual session was out of all proportion to the good accomplished by it, and that the union printers "paid too dear for the whistle." The essential elements in the plan of reorganization which he presented were a "national fund law" and a "uniform constitution" for subordinate unions.¹² Both measures were approved by an overwhelming majority despite the formally filed protests by the Philadelphia and Cincinnati unions against the adoption of the "fund law." It was provided, however, that the new rules should be submitted for ratification to the local unions. Unions not reporting their votes by December 1, 1867, were to be counted as voting in the affirmative.¹³

Immediately upon the adjournment of the National Union a storm of disapproval broke out. The center of the opposition was the *Printers' Circular*, a privately-owned journal published at Philadelphia, which had been for several years the official organ of the National Union. Before the meeting of the Union, the *Circular* had favored the proposed reorganization. It had declared with the

¹¹ Proceedings, 1866, pp. 17, 22, 43.

¹² *Ibid.*, 1867, pp. 7-10.

¹³ *Ibid.*, 1867, pp. 62-67.

emphasis of italics that the Union was merely a "recommendatory body with no very clearly defined powers"; and it echoed with satisfaction President Oberly's remark that the Printers had "good and sufficient reason to be ashamed of their constitution."¹⁴ But the editor of the *Circular* objected strongly to the unconstitutional manner in which the new measures had been adopted.¹⁵ The real strength of the opposition to the new measures lay in the lack of any strong desire for the establishment of a central strike fund. The printing industry was so essentially a local industry, and the conditions in different places varied so widely, that the printers of one town had little direct interest in assisting the printers of other places. The older and more powerful unions, feeling themselves able to finance their own strikes, were unwilling to contribute to a fund which they feared would be used chiefly to support the smaller and weaker unions.

The Cincinnati union took the lead in opposition. In a circular letter, issued to the other local unions, it declared the adoption of the new constitution "null and void."¹⁶ The New Orleans and Philadelphia unions also protested strongly. New York and Chicago alone of the larger unions were steady in their advocacy of a national fund. Altogether, 35 unions voted against the plan of reorganization. Since there were 105 unions holding charters, the proposals were technically carried. As a matter of fact,

¹⁴ *Printers' Circular*, Vol. 2, p. 193.

¹⁵ The constitution of the National Union provided that an amendment could not be offered and adopted at the same session it was offered, but must lie over for one year. President Oberly ingeniously maintained that the National Union had not altered or amended the old constitution but had substituted an entirely new constitution for the old one, and that, therefore, the provision governing amendments did not apply to the case in hand (*Printers' Circular*, Vol. 2, pp. 247-249).

¹⁶ *Ibid.*, Vol. 2, p. 265.

only some 70 locals were paying dues, and, since many of these did not vote, the local unions voting against the measures outnumbered those in favor of them. President Oberly decided that, on account of the bitter opposition shown, he would not proclaim the new constitution.

The only effect of the movement for increasing the functions of the National Union was the revision of the constitution in 1869. This revision resulted in considerable alterations in unessential matters, but left almost untouched the relations between the National and the local unions. The only considerable expansion made in the functions of the National Union was an increase in its judicial activities. The president was given authority to decide "all doubtful questions that may arise in subordinate unions and all questions about the jurisdiction of the International Union, and generally all questions that have not been clearly defined in the constitution and by-laws." These decisions were to stand until reversed by the Union.¹⁷ From 1874 the president's decisions were annually submitted to the Union, and those approved became "general laws." In that year the number of "laws" was increased at a single stroke from fourteen to thirty-one by the addition of presidential decisions. At each succeeding session new decisions were added. A statement of the increase in the number of "laws" exaggerates, however, the development of the influence of the Union. Many of the new rules were mere interpretations of old ones, and the others were of minor importance. Yet the extension of the judicial activities of the Union had some effect in establishing a standard of usage for the subordinate unions.

The movement for increasing the powers of the Union subsided gradually until 1871, when the session, weary

¹⁷ Proceedings, 1869, p. 43.

of the discussion, voted that "in the opinion of the Union the establishment of a national fund is inexpedient."¹⁸ In 1875 Mr. McVicar brought forward a new plan for a national fund, and in 1878 this project was approved by the Union. As the local unions almost without exception refused to pay their assessments, however, the rule was repealed.¹⁹ The plan for a uniform constitution for subordinate unions was resuscitated from time to time, but after 1868 was never advocated with any considerable energy.

About 1880 the feeling became widespread among the Printers that the International Typographical Union, as the National Union had been renamed in 1869, was not as effective as the national organizations of some other important trade unions. In the severe depression from 1873 to 1878 the local typographical unions had lost the larger part of their members, and were for the time being almost powerless. During this trying period the Printers had come to believe that the system of local autonomy was largely responsible for the heavy disasters which had befallen them. The feeling was general that the local unions should be united more closely, and that this increased coöperation should be brought about by increasing the functions of the International Union; but there were wide differences of opinion as to what functions should be so entrusted. Some advocates of reorganization laid stress on the desirability of providing a system of insurance as a means of increasing the membership; others believed that the International should force the local unions to be more liberal in admitting offending printers to membership. A few advocated the establishment of a national strike fund.²⁰ A committee appointed in 1882

¹⁸ Proceedings, 1871, p. 64.

¹⁹ *Ibid.*, 1878, p. 71 *et seq.*; *Ibid.*, 1879, pp. 11, 27.

²⁰ *Ibid.*, 1881, pp. 36, 76, 77, 90 *et seq.*

to report a plan for reorganization was divided in opinion. The minority urged the institution of International beneficiary features. The majority was in favor of the time-honored panacea, a thorough overhauling of the constitution. The Union spent a session in rearranging the high-sounding words of that document, but voted down with alacrity a proposal to levy a tax on the subordinate unions when one of them should be involved in a strike.²¹

The desire for increasing the effectiveness of the International Union grew steadily. The rapid increase in membership and the spirit infused at this time into the trade-union movement by the Knights of Labor were prime factors in promoting this sentiment. The appointment in 1884 of a chief organizer was the first assumption by the International Union of an administrative function other than those directly connected with the maintenance of the annual sessions of the delegates. In 1885 a tentative plan for the establishment of a national strike fund was agreed upon. These measures marked the end of the period of local autonomy.

Since 1884 the International has steadily increased its activities. This development has taken chiefly five directions: (1) The support of strikes, and as a consequence, the supervision and control of the bargaining of local unions with employers have been entrusted in increasing degree to the International. (2) To some extent the International bargains directly with national associations of employers. (3) The diverse trade regulations of the local unions have been superseded to a considerable extent by International rules. (4) The International Union organizes new local unions and, to some extent, aids the local unions in bringing non-unionists into membership. (5) The International has gradually developed important

²¹ Proceedings, 1882, pp. 12, 39, 105-113.

beneficiary activities. The gradual emergence of International control in each of these directions is traced in detail in succeeding chapters.

The increase since 1884 in the functions and power of the International has not been due chiefly to an increase in competition between the offices in different cities. Inter-city competition, though greater in many kinds of printing than formerly, is as yet slight in comparison with the total amount of work done. The increasing centralization of power is due chiefly to the gradual realization that many functions can be better discharged by a central organization than by the local unions. The movement has been greatly hastened, also, by changes in technique,—notably by the introduction of typesetting and typesetting machines. Confronted by such changes, the Printers have recognized the desirability of adopting a common policy to be pursued by all local unions.

But with all the advance toward centralized government, the local unions are still far more than mere administrative units. As will be seen in the following chapters, the local unions still determine in many particulars the policies they will pursue. Almost every local union differs on some point of policy from its neighboring unions. On many points the International Union still explicitly leaves decision to the subordinate unions. There are other questions which are not covered by the International rules; and here the local union has a free hand. The wide dispersion of the industry and the consequent great differences in conditions make an absolutely uniform policy impracticable.

CHAPTER IV

JURISDICTION

The primary aim in the formation of a trade union is to obtain unity of action among the workmen in that trade. For the attainment of effective unity it is indispensable that within a given territory there shall be but one union. Each local or national union must, therefore, have an exclusive right, as against any other union, to organize and govern the workmen of its trade within a clearly defined territory. The exclusive right of control over a particular class of workers within a particular territory is known among American trade unionists as the "jurisdiction" of the union.

The Jurisdiction of the Local Union.—No great difficulty has been experienced in defining the classes of workmen over which each local typographical union has jurisdiction.¹ The general policy of the union has been to require that all the union printers in each locality should belong to the same local union.² To this rule there have been two exceptions. From 1869 to 1873 women printers were allowed to form separate local unions,³ and since 1869 printers in foreign languages have been permitted the same privilege. In the latter

¹ See, however, p. 250 for an account of the struggle for jurisdiction over the machine tenders.

² The International Typographical Union, at one time or another, has had under its jurisdiction,—in addition to the printers,—pressmen, stereotypers and electrotypers, bookbinders, mailers, type foundrymen, photo-engravers, and newspaper reporters. These have been formed into separate local unions.

³ See below, pp. 313-315.

year a union of printers in French was organized at Montreal. In 1893 the Germania Typographia, a national union of printers in German, amalgamated with the Typographical Union, and the subordinate unions of the Typographia became subordinate unions of the Typographical Union.⁴ Local unions of printers in other languages have been organized from time to time. In May, 1908, the German-American local unions numbered 22. In New York, there are separate unions for Hebrew, Bohemian, Italian, and Slavonic printers; and in Chicago, for Bohemian, Norwegian, Polish, and Swedish printers.

Two reasons have influenced the International Union in granting separate charters to unions of printers in foreign languages. In the first place, many such printers do not understand English well enough to take part in the meetings of the English unions. Secondly, the same scale cannot be maintained in the foreign-language offices. The policy of chartering separate unions for printers of a foreign language has, however, been regarded as desirable only where such printers are numerous. Where there are only a small number of such printers, they are required to join the English union. Thus in Philadelphia, Baltimore, St. Louis, and San Francisco, the only unions of foreign printers are the German-American unions.

The union has been unwilling to recognize by the creation of separate unions subdivisions in the printer's craft. The typical subordinate union is made up of hand compositors, machine operators, machine tenders, and proof readers. Agitation for separate unions for some of these classes has arisen at different times. The employing book and job printers complain that the newspaper print-

⁴ The Typographia was allowed by the treaty of amalgamation to maintain, for certain defined purposes, its existence as a national union within the Typographical Union.

ers control the unions in the larger cities and have asked, on several occasions, that the book and job printers be organized into separate unions. The International Union has steadily resisted such efforts. The maintenance of a common apprenticeship for all classes of printers has been the chief support of this policy. When the linotype was first introduced it was proposed that the machine compositors should be organized separately, but the central point in the union's policy with reference to the machines—the requirement of an apprenticeship at hand composition for machine operators—forbade the segregation of the machine operators.⁵

A much more difficult problem has been presented by the necessity of defining the extent of territory over which each local union shall exercise jurisdiction. In at least one of the early societies it was for a time, indeed, a question whether the jurisdiction of the union was personal or territorial. On April 21, 1810, the board of directors of the New York society declared, in a series of resolutions, that the "jurisdiction of the society" extended only to the city and county of New York. Any member of the society employed outside this territory was not required to obey the "regulations of work." The considerations which led to this decision have been controlling with the local unions organized since that time. No useful purpose could be subserved by requiring a member to obey in every place rules framed with reference to local conditions. Moreover, a union cannot ascertain with any certainty whether a member at work in some other locality obeys its rules.

One of the purposes in the formation of the National Union was to force a member of one local union who

⁵ See Barnett, "Introduction of the Linotype," in *Yale Review*, November, 1904.

secured employment within the jurisdiction of another to obey the rules of the local union within whose jurisdiction he was employed. A rule adopted shortly after the organization of the National Union provided that any member taking a card should be required to "deposit it with the proper officer immediately upon his obtaining employment within the jurisdiction of any union subordinate to the National Typographical Union." A member who neglected to deposit his card was required to pay an initiation fee upon readmission into any subordinate union. If he violated the rules of the local union within whose jurisdiction he was working, he might be expelled, even though he had not deposited his card, and in that case the union which had issued the card must revoke it.

The territorial jurisdiction of the local union was for a long time only roughly defined, and, as cities multiplied, this gave rise to difficulties. Local unions objected to the establishment of new local unions in near-by towns, on the ground that the new unions, usually weaker than the old ones, would fix a lower rate of wages and thus prevent the older ones from maintaining their scales. Thus in 1860, the application of certain Brooklyn printers for a charter was refused⁶ on account of the objection of the New York union. The local unions desirous of controlling the chartering of new unions in their vicinity secured in 1871 the enactment of a rule by the International Union which gave each subordinate union jurisdiction "half way between its own location and that of a sister union."⁷

There were two grave objections to this rule. In the

⁶ The National Union held that before a charter should be issued it must be clearly understood that printers who worked in New York and lived in Brooklyn must belong to the New York union (*Proceedings*, 1860, pp. 14, 52, 57).

⁷ *Proceedings*, 1871, pp. 36, 38.

first place, it gave an existing local union the absolute power of determining whether a new union might be established, and this power was sometimes exercised in a selfish manner. The rule also made it possible for a local union to insist that unionists who were working in surrounding territory should obey its trade regulations. Not many unions actually attempted thus to widen their jurisdictions, but irritating cases of that kind sometimes occurred. It was obviously useless and inexpedient for a city union to enforce its working rules upon printers in small towns, perhaps many miles distant.⁸

Since 1876 the jurisdiction of the local union has been expressly restricted "to the corporate limits of the city or town named in its charter." But, in certain exceptional cases, provision has been made by the International for the extension of the jurisdiction of particular unions over contiguous territory. Thus in 1886, the Meadville (Pa.) union was given jurisdiction over all of Crawford County. The president of the International since 1887 has had power to extend, upon petition, the jurisdiction of the subordinate unions over adjoining towns where no local unions exist.⁹ Such extensions have been made only when the offices in the annexed territory compete actively with those in the territory under the original jurisdiction of the local union.

In the same way, where an incorporated town is so close to a larger city that the printing offices in the two cities compete for work, the International has frequently refused to grant a charter in the smaller city. A case of this kind recently came before the Union. The W. B. Conkey Company of Chicago removed its plant to a nearby town, and the Chicago union, thereupon, secured from

⁸ Proceedings, 1876, pp. 22, 23.

⁹ *Ibid.*, 1887, p. 67.

the International an extension of jurisdiction over that place.¹⁰ In 1903 the Conkey Company asked for the establishment of a separate union, and agreed, if a charter was granted, to pay a minimum wage of \$18 per week. The Chicago union insisted that the establishment of a union so near, with a lower scale, would threaten the maintenance of their scale; and the charter was refused. Acting on the same principle, the International has decided that "where a city is absorbed in the corporation of another, and where a union exists in both, the smaller union shall be merged in the larger." The first case in which a question of this kind came before the Union was in 1891, when the Town of Lake was annexed to Chicago.¹¹ The rule then adopted has remained in force.

Jurisdiction of the International Union.—The International Union endeavors to enforce its rules upon union printers only when they are working under the jurisdiction of some local union.¹² At any given time, therefore, the territory within which the International actually exercises jurisdiction is the aggregate territorial jurisdiction of the local unions, but it also claims a potential jurisdiction over a much greater territory. The territorial jurisdiction of the International, in this latter sense, is the extent of territory within which it claims the exclu-

¹⁰ Proceedings, 1900, p. 51.

¹¹ *Ibid.*, 1891, pp. 109, 175.

¹² The same principle is applied in the collection of dues. A member not working under the jurisdiction of any subordinate union has a right to demand a withdrawal card. This card severs his connection with the International Union until he again secures employment within the jurisdiction of a subordinate union. The International has only one rule binding upon a union printer when not within the jurisdiction of some local union, viz., that he shall not "go to work in a town or city where no union exists, during the progress of a strike, without the consent of the parties engaged in a strike" (General Laws, 1908, Sec. 100).

sive right to charter local unions. If the printers of any city within this territory organize a union unaffiliated with the International, an invasion of its jurisdiction has occurred.

That all local unions should be under the jurisdiction of the International is a principle which has developed only gradually. When the local unions united in a national organization in 1852, they did not resent strongly the existence of unaffiliated unions. The National Union was regarded simply as a voluntary combination of certain local unions, and independent unions were treated with great consideration. The Columbia society and the Richmond society existed as independent organizations for some years after the formation of the National Union. Both of these societies had retained important beneficiary functions, and were reluctant to admit printers from other unions without the payment of initiation fees. After several unsuccessful attempts to secure the adhesion of the Columbia Society, the president of the National Union in 1860 advised that a rival union should be chartered in Washington. The outbreak of the Civil War postponed action, and in 1867 the society voluntarily attached itself to the National Union.¹³ The Richmond society received a charter in 1866.¹⁴

The force which gradually brought the independent societies into the national organization was the card system. By a rule of the National Union no local union was allowed to "receive members on cards issued by any other associations than those chartered by the National Union." Members of independent local unions were not refused admission to unions affiliated with the National Union, but they were required to pay an initiation fee. The Co-

¹³ *Printers' Circular*, Vol. 6, p. 332; Proceedings, 1860, pp. 12, 15.

¹⁴ Proceedings, 1866, p. 16.

lumbia society avoided conflict by allowing printers with cards to work in the offices controlled by the society without requiring them to become members.¹⁵ As the "closed shop" rule was more and more strongly enforced by the local unions, it became important to each local union to secure for its travelling members the privilege of working in union offices in other cities without having to pay initiation fees.

The extent of the territory within which the National Union claimed the exclusive right to establish local unions was not at the outset carefully defined. It was assumed for some years that it was limited to the United States. The preamble to the constitution of the National Typographical Association, adopted in 1836, indicates that the framers did not expect to include in the Association local unions outside of the United States.¹⁶ The convention called in 1850 to consider the formation of a national union styled itself the "National Convention of Journeymen Printers of the United States"; and the constitution of the National Union ratified in 1852 declared that the Union possessed "original and exclusive jurisdiction in all matters pertaining to the fellowship of the Craft in the United States."

The National Union had hardly been established, however, when the desirability of making some arrangement for extending the card system to Canadian printers was discussed. At the third annual session, in 1854, the National Union suggested that each local union should arrange with such Canadian unions as it saw fit for a reciprocal exchange of cards. Only a few of the subordinate unions followed this recommendation. In 1856 the

¹⁵ Constitution of the Columbia Society (Washington, 1866), Art. XI.

¹⁶ Proceedings of the National Typographical Convention, Washington, 1836, p. 9.

constitution of the National Union was amended to permit the officers to issue charters in Canada, but none of the Canadian unions applied for admission, and a year later the jurisdiction was again restricted to the United States. The matter was one of small interest except to a few of the Northern and Lake cities. In 1860 the president of the National Union decided that a local union ought not to receive the cards of any local union not affiliated with the National Union, except as an evidence of "honorable standing", and that persons presenting such cards should be charged the regular initiation fee.¹⁷ The National Union approved this decision, and instructed its secretary to "open a correspondence with the Unions in the Provinces of Canada, Nova Scotia, and New Brunswick, with a view to bringing them under the jurisdiction of this National Union." The secretary could find only one union "possessing any practical vitality," the Toronto Typographical Society, and this organization showed no interest in the proposed alliance.¹⁸

In 1865 the National Union definitely extended its jurisdiction to include the British Provinces, and the corresponding secretary was instructed "to inform the Printers' Societies or Unions in the British Possessions that the National Typographical Union of the United States extended to them the same privileges now extended to subordinate unions in the United States."¹⁹ The Toronto society, one of the oldest in North America, after much deliberation and with some misgiving, applied for and received a charter from the National Union. A union was organized the same year at St. John, N. B. The extension of jurisdiction over the British Provinces was signalized in 1869 by a change of the name of the union

¹⁷ Proceedings, 1860, p. 29.

¹⁸ *Ibid.*, 1861, p. 8.

¹⁹ *Ibid.*, 1865, p. 51.

from "National Typographical Union" to "International Typographical Union of North America."

For twenty years thereafter, the jurisdiction of the International was confined to the "United States and the British Provinces." In 1888, when the constitution was again revised, the jurisdiction was extended to include all of North America. Local unions have been organized at various times in Jamaica, Porto Rico, the Hawaiian Islands, and the Philippines. The greater part of these unions have been short-lived. The following table shows the number of unions located in the various parts of the jurisdiction in May, 1907, and their membership:

	<i>No. of Unions.</i>	<i>Membership.</i>
Canada	30	2,591
Hawaiian Islands	1	15
Philippine Islands	1	15
United States	630	42,359

The International Union has shown no capacity for organizing the printers in any part of North America except the United States and Canada. Mexico, Cuba, and Porto Rico are entirely unorganized. The number of printers in these countries is not large, and practically all of them are printers in Spanish. The local unions in the Philippines and in the Hawaiian Islands are composed of printers who have emigrated from the United States.

The Typographical Union has never had any serious difficulty on account of sectional secessions. The most considerable division was caused by the Civil War. In April, 1861, the Charleston union proposed to the unions in the South that they form a Southern Typographical Union. This plan, apparently, was never carried out. In July, 1861, the Atlanta union dissolved its connection with the National Typographical Union. The great majority of the Southern unions followed this example, in many cases adopting elaborate secession ordinances. The

attitude of the National Union throughout was conciliatory. It instructed its president in 1861 to issue a circular letter to the Southern unions and to urge "upon them to maintain their former relations."²⁰ In 1864 it authorized its president to use all proper means to "bring about the resuscitation of all the Southern unions and their renewed affiliation with this body (without regard to former troubles) on the most liberal terms which in his judgment shall be deemed expedient." In 1866 practically all the Southern unions resumed their allegiance to the National Union; and its president was able to say, "*our* reconstruction is complete."

The jurisdiction of the Typographical Union over Canada has recently been disputed, partly as a result of the nationalist movement among a section of the Canadian trade unionists. In 1902 the National Trades and Labour Congress of Canada was organized for the purpose of promoting the formation of national Canadian unions. The Congress has encouraged the secession of local unions from the international unions exercising jurisdiction over both the United States and Canada. The promoters of this movement have appealed to the national pride of Canadians, but as yet with only slight success. The great majority of Canadian local unions maintain their affiliation with the international unions already existing.

Considerable dissatisfaction among the printers in the Canadian Government Printing Office at Ottawa was caused by the heavy assessment levied by the International Union in 1905-1906 for the financing of the eight-hour strike, and in September, 1906, the Ottawa Typographical Union by a vote of sixty to thirty-three resolved to secede from the International Typographical Union

²⁰ Proceedings, 1861, p. 18.

and to ally itself with the nationalist movement. The thirty-three "loyalist" members retained their International charter; and since that time there have been two typographical unions in Ottawa. The International Union sent a commission to Ottawa in October, 1906, but the differences between the two unions were irreconcilable. The "loyalists" charge the nationalists with being unwilling to pay their assessments, while the seceders are strong advocates of national autonomy. The nationalist movement has not caused as yet the secession of any other typographical union, although efforts have been made to establish unions in other Canadian cities.²¹ The opponents of nationalism point out that a "Canadian National Typographical Union" would have a membership of less than three thousand, and would be too small to support, except at excessive cost, the necessary executive staff.

During the history of the Typographical Union only one union has disputed its jurisdiction in its entirety, claiming the right to organize unions of printers in the United States and Canada. In 1884 a number of non-union printers working in Kansas City formed a local organization known as the Printers' Protective Association. A year later a second association was organized in Topeka, Kan. The local associations formed the International Printers' Protective Fraternity at Kansas City, on March 15, 1886. In June of that year the chief organizer of the Typographical Union referred to the Fraternity as a "so-called organization of rats"; and said, "It is composed of creatures who have been driven by public opinion from other localities, and like all outcasts they herd together."²²

The Fraternity spread rapidly to a considerable num-

²¹ Proceedings, 1907, pp. 102-105; *Labour Gazette*, October, 1907, p. 432.

²² Proceedings, 1886, p. 61.

ber of cities. In 1888 it had branches at New Haven and Cleveland, and in 1891 an organizer of the Typographical Union reported that although the Fraternity had been driven out of Knoxville, Chattanooga, and Rome, Ga., it still had local fraternities in Little Rock, New Orleans, Jacksonville, Montgomery, Nashville, and Charleston. The Fraternity appears to have reached its greatest extent in 1891. Three local branches had by that time been established in California. The session of the Typographical Union in 1892 heard complaints of the activity of the Fraternity from Kansas City and Los Angeles.²³ Since 1897 the Fraternity has not shown vitality. Its operations are confined chiefly to the Pacific Coast and its strongest branch is at Los Angeles.²⁴ The officers of the Typographical Union have always been fully sensible of the danger from a competing union. In 1896 President Prescott said: "During the term, your Executive Council has been generous to the point of liberality in supporting the efforts of financially weak unions to dislodge organized renegades who may have infected their respective jurisdictions. While the progress made is hardly appreciable, the pariahs were prevented from making further depredations; and, if we continue harassing this contemptible and traitorous enemy, the dissipation of the commercial depression will witness the demise of the foul combination with its unholy aims and objects."

The hatred between the Typographical Union and the Fraternity, as is evinced by the tone of the passages quoted above, has always been intense. The officers of the Fraternity have shown themselves willing to organize bands of workmen to take the situations of union printers. Newspaper proprietors in difficulty with the

²³ Proceedings, 1892, pp. 74, 156.

²⁴ See *World's Work*, Vol. 15, pp. 9675-9.

unions have frequently brought in from other places Fraternity printers to man their papers. The union printers claim that the Fraternity is in reality merely a strike-breaking organization, and that its officers receive large sums from employers for securing for them at critical times considerable bodies of workmen. The purpose in maintaining an organization, according to the unionists, is to make it possible for the employer, if he is boycotted, to assert that he is employing unionists, and that the difficulty is one between two unions. The Fraternity, on its side, declares that the methods of the Typographical Union are vicious. Strikes, lockouts, and boycotts are denounced by its constitution, and arbitration is declared to be the "best mode of settlement for both capital and labor."²⁵ According to its official journal, "the Fraternity does not fix an arbitrary scale of wages at which its members shall work," nor does it "seek to lay down a cast-iron rule regulating the hours of work."²⁶

²⁵ Constitution of the International Printers' Protective Fraternity, 1900; Constitution and by-laws of the Los Angeles Printers' Protective Fraternity. It is impossible to describe the actual working of the Fraternity since the only available sources of information are constitutions and copies of a publication known as "*The Fraternity*,"

²⁶ *The Fraternity*, January, 1899, p. 28.

CHAPTER V

GOVERNMENT

The Government of the Local Union.—The earliest extant constitution of an American printers' society outlines a form of government markedly different from that of the present local typographical unions.¹ In the Philadelphia society of 1802, a general meeting in which all members in good standing had a voice was held monthly. The general meeting was held "for the purpose of electing officers, hearing the reports of the board of directors, and making monthly payments." The really important work of the society was done by a board of directors consisting of sixteen members, part of whom were elected each month by the general meeting. The "directoriate" met weekly; it admitted and expelled members, paid benefits, and adopted regulations of work. The general meeting heard what had been done, but could not reverse any act of the board. In the New York society's constitution of 1809, also, provision was made for a board of directors elected in the same manner and holding weekly meetings; but the powers of the directors were not nearly so large. Candidates for membership were not elected by the directors, but only recommended by them to the general meeting. Working regulations were

¹ A manuscript copy of the original constitution of the Philadelphia society is preserved in the archives of that society. It has been printed by Stewart, *op. cit.*, p. 942. The constitution of the New York society of 1809 was probably modelled on the Philadelphia constitution of 1802. No copy of the New York society's constitution is known to be in existence, but certain sections of it which appear in the minutes of the society are identical in wording with sections of the Philadelphia constitution.

adopted by the general meeting. In short, the board of directors was merely an agency by which the general meeting exercised a supervision over affairs in the intervals between meetings.

Although traces of the system of government by a small elected council, such as the boards of directors of the early societies, are found in the constitutions of some of the later societies, the government of the local union had come by about 1840 to be very much the same as it is now. A meeting of the union to which every member is admitted and in which he has a vote is held at intervals, usually monthly; and all questions—legislative, executive, and judicial—are there passed upon. The meeting enacts rules for the government of the union, adopts regulations, tries accused members, and decides when a strike is advisable. In any important business, a committee is appointed which investigates the matter and reports to the union; but the final decision in all affairs rests with the monthly meeting. No system of representative government is found in any of the local unions.

In many American trade unions the local unions are divided when they reach a considerable size. Thus the Carpenters and Bricklayers in every large city in the United States meet in several local unions. This plan has two advantages. The chances of ill-advised legislation are lessened by the reduction in the size of the general meeting. More important still, since the local unions of the trade in each city must act in concert on trade questions, the decision on all important matters is necessarily transferred to a "district committee." The Typographical Union, as has been noted in the preceding chapter, has preferred to include in a single union all the printers who work in the same city. One unfavorable result of this policy is that in the larger cities the number of mem-

bers is so great that the efficiency of the general meeting as an organ of government is greatly impaired. The New York union has a membership of nearly 7000; the Chicago union of 3500; in all, half a dozen local unions have each more than 1000 members. In such unions the monthly meeting is likely, on occasions, to degenerate into a turbulent mob. It is obviously impossible for the seven thousand members of the New York union to pass in general meeting carefully and wisely upon affairs of importance.

The larger local unions have sought in two ways to lessen the dangers involved in their form of government. In the first place, the practice has become common of submitting all important issues to a shop vote, and the officers are also usually elected in the same manner. Secondly, elaborate rules for restraining the general meeting from hasty action have also been incorporated in the constitutions of nearly all the larger unions. Thus, in New York, the scale of wages cannot be altered except after notice has been given at one regular meeting and a report has been received at the next. Even then, a three-fourths vote is required. A four-fifths vote is required to make an appropriation not specifically provided for in the constitution.

With all its defects, the general meeting retains its place, chiefly because it is the only practicable organ of public opinion. In the government of a city or state the discussion of measures is carried on by newspapers and in political meetings. The members of the local union, on account of the fewness of their numbers in any particular locality, cannot have such means of canvassing a proposed measure. The monthly meeting of the union supplies this need. There the matter in hand is debated. The members learn to applaud certain speakers, and se-

lect their officers on the basis of impressions formed at these meetings.

The duties of the officers are directly connected with the monthly meeting. The important officials are a president, a secretary, and a treasurer, who are usually elected annually. The president, except in the larger unions, is an unsalaried officer. The secretary and the treasurer receive small salaries, rarely exceeding \$100 a year. In some of the large unions, however, the offices of secretary and treasurer have been combined, and the secretary-treasurer is paid a sum sufficient to enable him to devote his entire time to the work of the union. The largest unions, such as those in New York and Chicago, employ several officials. These are engaged for the most part in the secretarial and financial work of the union; but occasionally a local union employs an official whose business it is to induce unaffiliated printers to join.

The Government of the International Union.—The committee which drew up in 1851 the constitution of the National Typographical Union, borrowed, almost without change except for unimportant omissions, the constitution of the Right Worthy Grand Lodge of the Independent Order of Odd Fellows of the United States of America. No mention of the fact was made in the report of the committee, but a comparison of the two constitutions reveals such a striking similarity that the connection between them can be clearly established.² The seventeen articles of the Odd Fellows' constitution were condensed into ten, but the changes made were merely verbal.

² The constitution of the Odd Fellows is printed in the Journal of the Proceedings of the Right Worthy Grand Lodge of the Independent Order of Odd Fellows (New York, 1844), p. XIV. A more detailed comparison of the constitutions may be found in Hollander and Barnett, "Studies in American Trade Unionism," p. 19.

The distinctive characteristic in the government outlined by this constitution was the predominance given to an annual assembly of representatives known as the National Typographical Union, and corresponding to the Grand Lodge of the Odd Fellows. The National Union had power to elect its officers, to pass "laws in regard to all matters pertaining to the craft", and to decide all judicial questions. Legislative, judicial, and executive powers were thus conferred on a single body. The general plan of the constitution of the Grand Lodge of the Odd Fellows fitted in well with the vague aims of the founders of the Typographical Union. The central organization designed by the Typographical Convention of 1851 was intended merely for regulating the relations of the local unions and for interpreting the customs of the craft. A government by a kind of supreme council consequently answered every purpose. Furthermore, the government of the National Union corresponded closely to the form of government to which the Printers had long been accustomed in their local unions—a meeting in which every member had a vote on all questions, and which exercised directly legislative, judicial, and executive powers.

The members of the National Union were the representatives from the local unions.³ Originally each union—large and small alike—was entitled to send three delegates. In 1869 the basis of representation was altered in

³It is only in very recent years that the members of the local unions have been referred to in the official literature as members of the International Typographical Union. The National Union was for many years not the name of the central organization regarded as a whole, but merely of the annual assembly of representatives. Since the two significations very largely overlap, the expressions National and International Typographical Union are used in this monograph, where no confusion results, sometimes in one sense and sometimes in the other.

such a way that the delegates allowed the unions ranged from one to four according to the number of their members. This change was sturdily resisted by many representatives who held to the traditional theory that the National Union was a federal council in which all subordinate unions should stand on an equality. Twelve of the delegates in a written protest declared that the change "virtually deprived the smaller unions from representation." The basis of representation has, however, remained unchanged since 1869.

Even since the reduction in their representation, the number of delegates allowed the smaller unions is out of all proportion to their membership. As a matter of practice, however, they are by no means fully represented at the annual sessions. The Union has steadily defeated all proposals looking to the payment of representatives from the International treasury, and the small unions are for the most part unable to pay the expenses of delegates. Partly to enable them to be represented at intervals, the sessions are held in different sections of the country in successive years. With the same design, proposals have been frequently made for systems of district representation. The Union has never tried any thorough-going expedient of this kind, but since 1887 two subordinate unions may join in sending a delegate. The unions have not availed themselves of this plan to any considerable extent, and usually less than one-third of the subordinate unions are represented. At the Washington session held in 1903, for example, only 180 subordinate unions out of 695, or 26 per cent, were represented. The 180 unions represented had, however, 33,486 members, or 72.5 per cent of the total membership.

The officers of the National Union, as constituted during the period from 1851 to 1885, were merely an ad-

junct to the annual session. They consisted at the outset of a president, two vice-presidents, a corresponding secretary, a recording secretary, and a treasurer. In 1854 the offices of recording secretary and treasurer were amalgamated. The officers were elected by the session, and held office for one year. An illustration of the small importance of the officers in the government of the Union is furnished by the changes in the regulations concerning the time at which they assumed office. Originally they "entered upon their duties at the termination of the session at which they were elected." Frequently, however, the next session found itself without some of its officers. Moreover, each session desired to have officers of its own election. By a change made in 1854, officers were elected at the beginning of the session and held office until the beginning of the next session. In order to insure the presence of the secretary-treasurer at the ensuing session, an amendment to the constitution provided that he should be paid his travelling expenses.

In the interval from one session to the next, the officers had few duties to perform. The issuing of charters and cards, the preparation of the convention proceedings for publication, and the collection and disbursement of the small revenue needed for these purposes constituted the duties of the president and the secretary-treasurer during the first period of the Union's history. The salaries of the officers varied from year to year, being fixed at each session. During the early years the salary of the secretary-treasurer was ordinarily \$100. The president was also customarily voted a small sum of money. From 1850 to 1885 only five presidents held office for more than one year, and of these, only one for more than two years. In thirty-five years the Union had

twenty-eight presidents. The tenure of the other officers was equally short.

The constant assumption since 1884 of new functions by the International Union has entailed important modifications in its government. The annual meeting of representatives—the single organ in the original structure—has been partly supplemented and partly replaced by other institutions. The chief innovations have been: (1) the introduction of the referendum and of popular elections, and (2) the enlargement of the power of the officers.

The constitution of the Union originally provided that an amendment offered at one session might not be considered until the next. The purpose of the provision was to secure through the delegates a reference of all questions of importance to the local unions. The early advocates of centralization found this rule an insurmountable obstacle to any radical reform, and in 1876 they succeeded in obtaining a relaxation of the rule so that an amendment to the constitution might be adopted immediately if it received a unanimous vote. Six years later the vote necessary to adopt an amendment immediately was reduced to four-fifths, and when the constitution was thoroughly revised in 1884 the rule was changed so as to require only a two-thirds majority. When, however, the functions of the International began to increase, the session felt the need of some method of ascertaining the popular will on important questions. Having abandoned the reference to the subordinate unions, they now turned to the referendum. In 1887 the abolition of piece work in book and job offices, and in 1888 parts of a new constitution were submitted to a vote of the membership. In 1889 the referendum was made a regular part of the Union's governmental machinery. Provision was then made that all amendments to the constitution, and all

rules involving an increase of taxation should be submitted to a vote of the members of the local unions.⁴

A prime motive in the introduction and extension of the referendum was the desire to further the movement toward centralization. By the use of the referendum, a direct bond was established between members of the local unions and the International Union. The advocates of centralization have, therefore, always been the advocates of the referendum. In 1896 President Prescott gave this view clear expression: "I cannot refrain," he said, "from submitting, as an all-sufficient answer to those who argue that the referendum is inefficient, that though conventions at various periods adopted strike benefit laws, the membership paid no heed whatever until the present law was adopted by popular vote; the same is true of all other International laws: those securing popular approval on a general vote are the ones most easily obeyed and enforced. As practiced with us, representative government—even though the convention's functions are reduced almost to those of a deliberative body—is a farce, many unions being financially unable to support a delegate, and the larger ones being apportioned such a small number of delegates that it is possible for four unions of seven members each to thwart the wishes of our largest subordinate body numbering thousands of members."⁵

During the period from 1890 to 1896, the initiative and the referendum seemed about to supplant the session entirely. In 1893 it was provided that any subordinate union might propose amendments to the constitution or "general laws." These propositions were to be published in the *Typographical Journal*, the official organ of the Union, and if supported by twenty unions, were to be sub-

⁴ Proceedings, 1889, p. 51.

⁵ *Ibid.*, 1896, p. 13.

mitted to a general vote. Three years later the number of supporting unions required was reduced to five. The officers of the Union were also given power to submit questions of great urgency to a vote of the membership. These changes so reduced the power of the annual meeting that in 1894 the sessions were made biennial. The movement culminated in 1896 when the regular sessions were abolished, and it was provided that a session should be held only when demanded by a popular vote.

The victory of the referendum was only temporary. Almost immediately the defenders of the representative form of government secured the re-submission of the question; and in October, 1897, the membership voted to return to the system of biennial conventions.⁶ The vote was again very close and other propositions looking to a complete restoration of the session to its old position in the government of the Union were overwhelmingly defeated. The members refused to abolish the referendum or to increase the number of unions required to initiate legislation. Since 1897, however, there has been a steady movement in the direction of limiting the use of the referendum and of nominally restoring the session to a considerable place in the governmental machinery. The number of supporting unions required to initiate legislation has been increased to fifty; and in 1898 the membership voted in favor of a return to annual sessions. Moreover, when the "book of laws" was revised in 1901, a large part of the constitution was transformed into "general laws." Since "general laws" which do not involve increased taxation are not necessarily submitted to a vote of the membership, the required use of the referendum was proportionally decreased; and the legislative power of the session was partially restored. While in

⁶ *Typographical Journal*, Vol. 12, p. 95, *et seq.*

1894-1898 it was not unusual for a session to submit twenty-five or thirty propositions, in 1903, a typical year, only eight were submitted. Even, however, when not constitutionally bound to do so, the session still submits practically all important rules and projects to a vote of the membership.

The referendum did not arouse the general interest which its advocates had anticipated. In the early years of its introduction, when the propositions submitted were rarely less than twenty, only about one-third of the membership took the trouble to vote. Since the reduction in the number of propositions, a larger part of the members express their opinions through the referendum. In 1903 over 20,000 members, or about half the membership, participated. The increased interest is partly due to greater familiarity with the system, but partly also to the smaller number of issues presented for decision.

The theory that the National Union was a body distinct from the general membership had found expression in the rule that only delegates were eligible to be national officers. As a consequence, if the president or secretary-treasurer failed of reelection as a delegate from his subordinate union, he could not be reelected to his office in the National Union. In 1886 the convention reaffirmed this rule in the case of Secretary McIntosh, who was declared ineligible for reelection on the ground that he was not a delegate.⁷ This restriction, which had rested hitherto upon an interpretation of the general spirit of the constitution, was in 1887 incorporated in the constitution in explicit terms. As the duties of the officers increased, continuity in office became important. The session still refused to give up the exclusive right of its members to the offices, and rejected in 1889 a resolution to make

⁷ Proceedings, 1886, p. 15.

all members of subordinate unions eligible to election as officers in the International Union. It made a concession, however, in 1891, by providing that any officer should be eligible to reelection even though he had not been returned as a delegate.

The exclusiveness of the session could not stand long in the way of the movement toward the centralization of the union. In order to secure the fullest participation of the members of the unions in the government of the International, the advocates of a highly centralized union urged that the control of the offices should be transferred from the convention to the membership at large. The president of the Union, in advocating this change, said: "The most important duty of the delegates is the election of officers, which is rightly a prerogative of the membership, and the only explanation of why an entire convention is debarred from changing a word in the constitution, but a majority of the delegates can elect officers, is that the custom had its birth when the International offices were merely honorary positions. . . . Under this method the election would be freed from the rancor, bitterness, misrepresentation, and tirades which are too frequent adjuncts of our elections now."⁸ The session held in Colorado Springs in 1896 made all members of local unions eligible to the offices of the International Union and gave the right of electing these officers to the membership at large.

The discharge of the functions assumed by the International Union has necessitated an almost constant increase since 1884 in the duties of the officers. The Union at first attempted to meet the new needs by the creation of new offices. In 1882 deputies were appointed by the president, one for each state and territory, whose duty

⁸ Proceedings, 1896, p. 12.

it was to organize local unions; but no provision was made for paying these officials. The president of the Union urged the appointment of a paid official to carry on this work, and in 1884 the session created the office of chief organizer, with a salary of \$1000 and expenses. The growing importance of the administrative work of the Union, due partly to the rapid increase at this time in the membership, but chiefly to the addition of new duties in connection with the organization of new unions and the supervision of the strike fund, led to a radical reorganization of the official staff in 1888. Headquarters were established in Indianapolis, and the president and secretary-treasurer were given salaries sufficient to enable them to devote their entire time to the work of the Union. The office of chief organizer was abolished, and his duties laid upon the president. The system of state deputies was abandoned, the country divided into seven districts, and an organizer elected for each district.

Every increase in the functions of the Union has tended to enhance the importance of the president and the secretary-treasurer. They administer the strike fund and the burial benefit, and supervise the organization of new unions. By the adoption of the rule that all appeals must first be decided by the president, and that appeals from his decision to the session must be printed, the judicial power of the session has practically been transferred to the president. The affairs of the Union have become for the most part so intricate that nearly all important legislation originates with the executive officials. Of nearly two hundred propositions submitted to the session of 1904, for example, only about twenty were adopted. Fifteen of these, the really important proposals, were offered by the executive officers. A few unimportant resolutions of sympathy with striking fellow unionists and

some suggestions as to the management of the Printers' Home constituted the contribution of the delegates. By a rule passed in 1896, a "committee on laws" selected by the president meets in the city where the convention is to be held three days before the Union assembles. The executive council submits to this committee its recommendations, and any local union or any member of a local union in good standing may also submit propositions. This committee is by far the most important of all the committees of the annual session; and its unfavorable action offers a serious check to any proposed measure. By the selection of members for service on this committee, the president is able in nearly all cases to influence materially the action of the session.

The convention, stripped of its power to elect officers, rarely exercising its judicial function, with the initiation of legislation largely taken over by the officers, and with its every important legislative act subject by law or custom to referendum, still remains an organic part of the government of the Union. A belief in the inspiring influence of annual sessions, and a reluctance to part with an historic institution, have been partly responsible for the maintenance of the stated meetings. An additional, and perhaps the strongest, reason for the continuance of the annual session is the desire to maintain some supervision over the work of the executive staff.

In some American unions this duty is performed by a board, compact but large enough to be representative of the various sections of the country and divisions of the trade. When the officers were established at Indianapolis in 1888, elaborate provision was made for such an executive council. The council was to consist of the president, the vice-presidents, the secretary-treasurer, and the seven organizers. This body was to hold stated meet-

ings twice in each year. It was given power to decide all questions between subordinate unions, to administer the strike fund, and to have, in general, "supervision of the business of the International Union, of districts and of subordinate unions." The plan, however, never had a trial. The year after the enactment of this measure the Union was in financial difficulties and, in order to save the expense, the council held no meetings. At the next session of the Union, the president said: "In my opinion, the stated meetings of the council should be dispensed with and the section so amended, but a provision retained for assembling the council, should extraordinary conditions require it. As at present constituted, the council is composed of twelve persons, widely scattered, and as matters are frequently referred to them which should be decided promptly, much time is lost. It may be worth considering whether a smaller council less scattered would not be an improvement."⁹ The council accordingly was reduced in number by removing the organizers from its membership.

Since 1901 the council has been composed of the president, the secretary-treasurer, and the second vice-president. All of these officers are intimately associated at Indianapolis in the conduct of the business of the Union. The executive council is, consequently, only another name for the official staff. As a substitute for a small and representative executive council, the annual session is an archaic and inefficient institution. In session for only a week, fêted on every possible occasion by the entertaining union, with a membership so large as to make deliberation impracticable, the supervision which it can exercise over the work of the officers is necessarily slight.

⁹ Proceedings, 1889, p. 17.

CHAPTER VI

FINANCES

The financial experience of the International Union derives its chief interest from the fact that it illustrates the growing centralization of the union. The increasing expenditure, the changes in the form of taxation, and the reconstruction of financial administration are all directly traceable to the same general cause.

Expenditures.—The increase in expenditures has been the leading element in this development. Considered from this point of view, the financial history of the International may be roughly divided into two periods: the first, from 1852 to 1884, was marked by meager and regular expenditures; the second, the period of political and financial centralization, extending from 1885 to the present, has been characterized by a continuous although irregular increase in expenditures. Until 1885 the total annual expenditure of the International never exceeded \$5000, and during the greater part of the period was rarely more than \$2000. The per capita annual expenditure was never more than 35 cents, and for most of the years ranged from 20 to 25 cents. The objects of expenditure during this period are even more significant than the amounts. Two items, the salaries of officers and the printing of the annual proceedings, aggregated annually from 75 to 90 per cent of the total expenditure. The whole of the small income was thus spent in defraying the expenses connected with the annual meeting of the Union.

During the years 1884-1895, the lines of present expenditure were marked out. The expense of organizing new unions was undertaken in 1884; the defense fund

was established in 1888; the burial benefit was inaugurated in 1891; and the Printers' Home was opened in 1892. The annual per capita expenditure which in 1884 was 27 cents had risen by 1888 to \$1.37, and by 1895 to approximately \$3.00. The total expenditure of the International rose from \$4407.44 in 1884 to \$89,650.72 in 1895, although the membership increased only from 16,000 to 29,000. The growth in expenditures was thus more than twenty fold while the increase in membership was less than 80 per cent. From 1895 to 1908 the International did not assume any new function entailing large expenditures,¹ but the development of the activities already undertaken, as well as a rapid increase in membership since 1898, has necessitated an almost constant increase in the total and, in a smaller degree, in the per capita expenditure. In 1905, a normal year, the per capita annual expenditure was \$4.40 and the total expenditure was upwards of \$200,000.²

The per capita expenditure by the International Union for all purposes for each year from 1885 to 1908 inclusive was as follows:

1885.....	\$0.43	1897.....	\$4.46
1886.....	.44	1898.....	3.96
1887.....	.53	1899.....	4.03
1888.....	1.37	1900.....	5.80
1889.....	1.24	1901.....	3.38
1890.....	1.08	1902.....	3.80
1891.....	2.20	1903.....	4.12
1892.....	3.97	1904.....	5.47
1893.....	3.97	1905.....	4.40
1894.....	3.47	1906.....	21.90
1895.....	2.91	1907.....	39.29
1896.....	3.23	1908.....	19.07

¹ In 1907 the International made provision for the payment of old age pensions. The first payments were not made until August, 1908, and will be included in the statement for the fiscal year ending May 31, 1909.

² The expenditures for 1906-1908 were abnormally large on ac-

These disbursements may be conveniently classified under four heads, corresponding to the divisions actually made in the funds,—(a) for general purposes, (b) for “defensive” purposes, (c) for the burial benefit, and (d) for the Printers’ Home.

(a) The disbursements for administrative and miscellaneous purposes are grouped as general expenditures, and include the salaries of officers, the cost of printing the session proceedings, office expenses, and minor expenses. Until 1887 the general expenditures constituted the entire outlay of the International. Until 1885, when the International undertook the work of organizing new local unions, the annual per capita expenditure for these purposes had been from 20 to 30 cents. It stood at 53 cents in 1887. With the establishment of International headquarters, in 1888, the per capita expenditure for general purposes was increased to nearly 70 cents. Since 1888 the expenditure for general purposes has risen steadily, until in 1908 the per capita outlay was \$1.90. The chief elements in this increased outlay have been: the cost of publishing the *Typographical Journal*, undertaken in 1889;³ an increase in the per capita payments by the International to the American Federation of Labor, and, finally, an increase in office expenses more rapid than the increase in membership.

count of the heavy outlay made necessary by the eight-hour strike. On this account, in making comparisons with previous years, the figures for 1905 have been used.

³Until 1903 subscription to the *Typographical Journal* was voluntary. Since then each member of the union has been taxed 60 cents annually as a subscription. For convenience in comparison, the expenditures on account of the *Journal* have been included for all the years in general expenditures, although in the financial statements of the International since 1903 they have been charged to a special account.

The per capita expenditure for general purposes by years from 1885 to 1908 inclusive has been as follows:

1885.....	\$0.43	1897.....	\$0.93
1886.....	.44	1898.....	.93
1887.....	.53	1899.....	1.10
1888.....	.67	1900.....	.88
1889.....	.58	1901.....	.82
1890.....	.52	1902.....	.98
1891.....	.65	1903.....	1.20
1892.....	.78	1904.....	1.16
1893.....	.70	1905.....	1.44
1894.....	.91	1906.....	1.61
1895.....	.79	1907.....	1.70
1896.....	1.00	1908.....	1.90

(b) The expenditure of the International for "defensive" purposes includes the sums paid in strike relief, the expenses and salaries of officers engaged in adjusting difficulties with employers,⁴ and special appropriations made to assist local unions. The disbursements for these purposes from 1887 to 1908 inclusive were as follows:

1887.....	\$0.13	1898.....	\$0.86
1888.....	.69	1899.....	1.24
1889.....	.39	1900.....	2.89
1890.....	.57	1901.....	.73
1891.....	.76	1902.....	.79
1892.....	1.80	1903.....	.77
1893.....	1.59	1904.....	1.59
1894.....	1.07	1905.....	.85
1895.....	.80	1906.....	18.01
1896.....	.71	1907.....	34.90
1897.....	1.19	1908.....	14.68

The chief characteristic of the expenditure for "defensive" purposes, it will be noted, is its great variation in amount in different years. In half of the years since

⁴ Since 1900 the expenses and salaries of officers engaged in organizing new local unions have also been included in the expenditure for "defensive" purposes. Before that time such disbursements were included in general expenditures. The amount paid out for organizing is relatively so small, however, as not to affect the comparison.

1890 the per capita expenditure has been from 71 to 85 cents. The largest expenditure in any year prior to 1906 was \$2.89 in 1900, while in 1906 and 1907 the expenditures were \$18.01 and \$34.90 respectively.

(c) In 1892 a home for aged and infirm printers was opened at Colorado Springs. The per capita expenditure for the erection and the improvement of the buildings and the maintenance of the home has been as follows:

1892.....	\$1.44	1901.....	\$1.39
1893.....	.78	1902.....	1.70
1894.....	.92	1903.....	1.41
1895.....	.74	1904.....	1.32
1896.....	.80	1905.....	1.30
1897.....	1.28	1906.....	1.24
1898.....	1.43	1907.....	1.59
1899.....	1.03	1908.....	1.84
1900.....	1.24		

On account of the inclusion of the outlay for new buildings and repairs, the expenditure has been irregular from year to year, but there has been a gradual increase in the per capita expenditure due to the increase in the number of inmates.

(d) Since January 1, 1892, the International has paid a burial benefit on the death of any member in good standing. The amount of the benefit, originally \$50, has been raised by degrees until in 1908 it was \$75. The following table shows the per capita expenditure for this purpose from 1893 to 1908 inclusive:

1893.....	\$0.72	1901.....	\$0.72
1894.....	.80	1902.....	.80
1895.....	.77	1903.....	.73
1896.....	.75	1904.....	.84
1897.....	.84	1905.....	.85
1898.....	.80	1906.....	.79
1899.....	.83	1907.....	.92
1900.....	.79	1908.....	.81

The annual per capita expenditure for burial benefits has been fairly regular, ranging from 72 to 92 cents. The

rapid increase in the membership of the union from 1899 to 1903 was accompanied by a decline in the death rate which counterbalanced in effect the increase made during that time in the amount of the benefit.⁵ From 1904 to 1908 the death rate increased slightly as against the rate in the years 1901-1903. The per capita expenditure has thus been somewhat larger in recent years, partly on account of the increasing death rate, but chiefly on account of the increase in the amount of the benefit.

The financial management of the burial benefit has heretofore presented no difficult problem. The death rate has shown no regular tendency to increase, since the benefits have not been sufficiently large to induce members of the union to retain their connection. If a member who retires from the trade desires to retain his beneficiary rights, he must pay the full dues of the International. The total dues in 1907 were 40 cents monthly, of which only 17½ cents was devoted to the maintenance of the burial benefit and the home. The establishment in 1907 of the old age pension will, undoubtedly, influence many members to continue their membership. This will increase the number of older members; and, as a result, the death rate will be higher. The per capita expenditure for the payment of burial benefits will in the future probably rise very considerably. How large the number of lapses has

⁵ The death rate for each year from 1893 to 1908 inclusive has been as follows:

<i>Year</i>	<i>Death Rate per 1,000</i>	<i>Year</i>	<i>Death Rate per 1,000</i>
1893.....	14.41	1901.....	11.04
1894.....	15.83	1902.....	12.35
1895.....	13.60	1903.....	11.21
1896.....	13.10	1904.....	12.52
1897.....	14.05	1905.....	12.13
1898.....	13.42	1906.....	11.38
1899.....	14.03	1907.....	13.20
1900.....	13.05	1908.....	12.30

been heretofore can be judged from the fact that a member would have to pay the tax levied for the support of the burial benefit eighty-three years before he would have paid in the amount of the benefit, and yet the income from this tax has always been sufficient for the payment of the benefits.

Although the total per capita expenditure of the International has increased rapidly since 1888, it is less in normal years than that of several other American trade unions.⁶ The Cigar Makers' Union, organized in 1864, paid out in 1905 \$16 per capita. The Typographia, the German branch of the Typographical Union, with a membership of 994, paid out in the same year \$20 per capita. The large expenditures of these organizations are due chiefly to heavy payments for beneficiary purposes.

Revenue.—The development of the revenue system of the International falls into three periods. In the first of these, from 1852 to 1860, inclusive, the revenue was derived almost entirely from a tax of 5 per cent on the receipts of the subordinate unions. This method of raising revenue was copied from the Odd Fellows.⁷ The objection to the system was that the more progressive local unions were assessed at a heavier rate. The rate was not high enough, however, to make the tax a perceptible burden.

The session of 1860 substituted for the tax on receipts an assessment on each member of the subordinate unions in good standing. This tax—known as “the per capita

⁶ The old age pension system adopted in 1907 by the Typographical Union will, according to the estimate of the secretary-treasurer of the International, necessitate an additional annual per capita expenditure of more than \$3.

⁷ The constitution adopted by the Washington Convention of 1836 contained a similar provision (Proceedings of National Typographical Convention, 1836).

tax"—has since been the chief financial resource of the International. In the fiscal year 1905, for example, the total revenue of the Union was \$244,689.24, of which the regular monthly per capita tax of 40 cents brought in \$227,575.00. The chief minor sources of revenue were fees for charters, sales of supplies, and receipts from the *Typographical Journal*. The per capita tax varied only slightly in amount from 1860 to 1884; the annual rate was never below 20 cents and never above 25 cents. As the expenditures of the International have increased, the receipts have been increased by raising the rate of the per capita tax. The rate since 1885 has been as follows:

1885-1887.....	40 cents annually
1888-1890.....	10 cents monthly
1891.....	20 cents monthly
1892-1896.....	25 cents monthly
1897-1902.....	30 cents monthly
1903-1907.....	40 cents monthly
1908.....	45 cents monthly

The substitution for the per capita tax of a tax on earnings has been much discussed in recent years. The session held in 1890 recommended to the subordinate unions that they should collect their revenue by taxing each member a percentage of his wages.⁸ A considerable number of local unions adopted the plan, and an active agitation for its use by the International began. The session held in 1896, against an unfavorable report of the law committee, instructed the executive council to prepare a plan for the collection of International dues by the "percentage system."⁹ It was argued that two advantages would be secured by the adoption of the new system: (1) unemployed members would be exempted from taxation; and (2) the grave inequalities in the burden of taxation incident to the uniform per capita tax system

⁸ Proceedings, 1890, p. 79.

⁹ *Ibid.*, 1896, p. 117.

would be removed. In opposition it was urged that the local unions could exempt unemployed members from taxation and pay for them their International dues, and that the "percentage system" was cumbrous and offered opportunities for evading taxation. The proposition, submitted to a vote of the membership, was defeated by an overwhelming majority; of 12,904 votes cast, 11,477 were against the plan.¹⁰

In 1906 the "percentage system" was used by the International for the first time. In November, 1905, a half-dollar weekly assessment was levied for the support of the eight-hour strike. That proving insufficient, in January, 1906, the union voted a 10 per cent assessment on wages.¹¹ The conditions were peculiarly favorable for the use of an income tax. The unemployed were naturally numerous; and, on the members of the smaller unions, in which wages were lowest and enthusiasm for the eight-hour day least, a per capita tax would have weighed heavily. The tax appears to have worked satisfactorily, and the International has now provided for supplementing its per capita tax by a tax of one-half of one per cent of earnings. The new tax is levied for the specific purpose of providing old age pensions. In 1908, therefore, the regular revenue of the International was derived from a per capita tax of 45 cents and a tax of one-half of one per cent of wages.

This development, from a tax on the receipts of local unions to a per capita tax, and finally to a combined capitation and income tax, is due largely to the change in the

¹⁰ *Typographical Journal*, Vol. 10, p. 440; Vol. 11, pp. 27, 56, 61, 140.

¹¹ The 10 per cent assessment was levied for nine months; on October 1, the assessment was reduced to 7 per cent; on November 19, it was reduced to 5 per cent; on February 3, 1907, to 3 per cent; on March 3, to 2 per cent, and on March 1, 1908, it was discontinued.

relation of the International to the members of local unions. As long as the International was conceived as a combination of local unions, the form of taxation by which it supported itself was immaterial, provided substantial equality was preserved among the local unions. The per capita tax, while it was small, was not regarded as a tax on the members of the local unions, but merely as a device for apportioning a charge among the local unions. As the tax has been increased and the International has assumed beneficiary and "defensive" functions of direct importance to the members of the local unions, there is a growing tendency in levying International taxes to consider the ability of the individual members. Since, however, the greater part of the expenditure of the International is made directly to the members in the form of friendly benefits or strike relief, it is not likely that the principle of payment according to ability will be carried to its logical limit. The Printers will feel that since all members receive the same benefits all should be taxed equally. The solidarity of feeling in the union is not great enough to make it practicable to rest the revenue system entirely on an income tax.

An increasingly important source of International revenue since 1892 has been the special assessment. The first attempt to levy a special assessment was made in 1887 when the executive council assessed each member of the subordinate unions \$1. Many local unions protested, and some refused to pay their quota; and the session of 1888 agreed to refund all the money that had been collected.¹² In 1892 while the International was engaged in a costly strike at Pittsburg, a proposition to levy a weekly assessment of 10 cents on all members of subordinate unions was submitted to referendum and approved.

¹² Proceedings, 1888, pp. 15, 178.

Since that time special assessments have been levied on four occasions: in 1897, to build an annex to the Home; in 1899, on account of a second costly strike at Pittsburg; in 1900, on account of simultaneous strikes at Kansas City, Pittsburg, and New York; and, finally, in 1906-1908, to supply funds for carrying on the great struggle for the establishment of the eight-hour day. The total revenue of the International from special assessments to May 31, 1908, was approximately \$3,000,000, of which \$2,800,000 was collected in 1906-1908.¹³

The International officers have never been satisfied with the special assessment as a means of financing strikes. Under the constitution, the executive council must submit the proposition for an assessment to referendum. At least a month is required to take the vote, and the uncertainty of the result has a bad effect. Moreover, the International officials may, on occasion, be badly in need of money to pay strike relief before the assessment can be collected. The executive council has at various times proposed to the membership other plans of financing strikes. In 1899 the membership voted on a proposal to empower the council to levy assessments. Another proposal submitted at the same time provided for a per capita tax of 10 cents monthly to be devoted to the establishment of a permanent "defense fund" of \$100,000. Both propositions were defeated, although the majority against the former one was not large.¹⁴ In 1900 a proposal to levy a per capita tax of 6 cents for the establishment of a reserve fund was defeated by a large

¹³ In 1906-1908 certain local unions were allowed to retain their assessments for local use. The sums thus retained amounted to \$1,250,000. The total revenue from special assessments levied in 1906 and 1907 by the International Union exceeded \$3,550,000.

¹⁴ *Typographical Journal*, Vol. 15, pp. 195, 196; Vol. 16, p. 95.

majority.¹⁵ The union has been opposed to increasing the funds at the absolute disposal of its officers. The same feeling that has kept in existence the antiquated convention—the desire to maintain some effective supervision of the official staff—has made the membership unwilling to forego its direct sanction of all extraordinary expenditures for “defensive” purposes. Although the union has never refused to approve an assessment proposed by the council, the possibility that it may refuse is always present.

By a favorable combination of circumstances, however, the council was able to secure in 1903 the establishment of a small reserve fund. In 1902 the union had voted, for another purpose, a presumably temporary increase of 5 cents monthly in the regular per capita tax. At the session of 1903 the president suggested that this tax should be continued and the sum realized should be devoted to a “special defense fund.”¹⁶ The membership, already accustomed to the payment of the tax, assented to its continuance. The fund thus created is absolutely at the disposal of the executive council,¹⁷ and is held primarily as a reserve. By May 31, 1905, it amounted to \$37,671. The great strike of 1905-1907 exhausted it within a few weeks and it became necessary to resort to a special assessment. On May 31, 1908, the fund amounted to \$105,364.

Collective bargaining on a national scale entails the possibility at intervals of very costly strikes. Although it seems hardly practicable to obviate entirely the necessity of special assessments, the burden of costly struggles may be distributed to some extent over a period of years by the establishment of a reserve fund. Perhaps the

¹⁵ *Typographical Journal*, Vol. 17, p. 401.

¹⁶ Proceedings, 1903, p. 15.

¹⁷ *Typographical Journal*, Vol. 23, pp. 223, 622.

greatest advantage in the maintenance of such a fund of moderate amount is the ability to pay strike relief promptly while the vote is being taken and the assessment collected. In any national strike, however, the taking of a vote has political advantages which may be expected to outweigh the purely financial reasons advanced for an extreme reserve policy.

Administration.—The chief problem in the administration of the International's finances has been the difficulty encountered in the collection of the per capita tax. In the early years the subordinate unions were careless as to whether they paid any dues or not, since affiliation with the National Union was not very important to a local union. As the card system gradually became effective, the local unions, desirous of securing the acceptance of their cards by other local unions, became reluctant to be expelled. The National Union was able, therefore, by degrees to secure regular payment of dues. In 1888 subordinate unions were required to pay their per capita tax within three months on penalty of suspension. When the burial benefit was introduced, in 1892, an additional incentive to the subordinate unions to keep in good standing was added. No claim for a burial benefit was allowed if the union of which the deceased was a member was in arrears for its per capita tax. Since then the number of suspensions of unions for non-payment of dues has been small. In 1905, a typical year, of 692 unions in existence, twelve were suspended. The total membership of these unions was 154.

The propensity to tax dodging on the part of the local unions was noted at a very early date. Each paid what it was willing, for no check on its report was possible. With the establishment of International headquarters and the increase in the per capita tax, attention began to be

paid to the serious abuses in its payment. At the session in 1888 the finance committee called attention to the fact that many of the larger unions paid on the same number of members year after year. The committee was convinced that some of these unions made returns on only a small part of their membership.¹⁸

No effective check was devised until the introduction in 1900 of the "stamp system" of collecting dues.¹⁹ Under the new system, the secretary-treasurer sells to the subordinate unions adhesive stamps or working cards with stamps printed thereon. Every member, on payment of his per capita tax, receives a stamp or a card, and a member not in possession of a stamped working card is not entitled to any benefits. It has thus been made practically impossible for the subordinate unions to evade the payment of dues on every member. The advantage of the system in securing the payment of dues cannot be estimated readily, since the period in which it was introduced was one of rapid increase in membership. How far the growth in paying membership was due to an increase in members, and how far to the introduction of the "stamp system" can only be conjectured. In the first five months after the system was put in force the average paying membership was 36,860, whereas in the same five months of the previous year the membership was 33,339. The adoption of the system probably increased the paying membership about 1500.²⁰

¹⁸ In 1897 the president of the Union said: "I have in mind a union which has paid us on exactly the same membership for months. More than once has the executive council been confronted with the fact that a union having a strike in one office had more names on the strike roll than it paid per capita tax on" (*Typographical Journal*, Vol. 10, p. 441).

¹⁹ Proceedings, 1899, p. 31; *Ibid.*, 1900, p. 25; *Typographical Journal*, Vol. 15, p. 196; Vol. 16, p. 95.

²⁰ Proceedings, 1901, p. 39.

The disbursement of the funds involves no administrative difficulties. The rules of the International determine with exactness the persons to whom the payments shall be made. The only large amount whose disposition is discretionary is the "defense fund." The executive council has always been charged with the administration of this fund. On occasion, the session has been appealed to by the representatives of various local unions to make appropriations which the executive council was unwilling to make. Naturally the circumstances surrounding these occasions have usually been unfavorable to careful consideration.²¹ Such appropriations have, however, become rarer in recent years.

The local typographical unions enjoy the greatest possible freedom from any interference on the part of the International in their financial concerns.²² A local union may establish a benefit not paid by the International, or it may supplement an International benefit by establishing the same benefit. It may, if it sees fit, pay its members when on strike an additional weekly allowance over and above that received from the International. It follows that there are wide variations in the per capita expenditures of the local unions. The unions in the small towns, whose members receive low wages, expend from their

²¹ The severe characterization of these grants by President Prescott appears warranted. "Most frequently the reason these raids for subventions are made is because the promoters are conscious of the weakness of their case and their consequent inability to convince the councillors of their right to a portion of the International funds. But they hope through the environments incident to convention week to secure the adoption of a resolution ordering the payment of large sums out of the International treasury. The history of those appropriations is that the convention's generosity has been misplaced" (Proceedings, 1898, p 20).

²² The only International rules concerning local finances are certain provisions with reference to the safeguarding of local funds.

own treasury only the cost of hall rent and the allowance of a secretary. Their members are entitled to no benefits other than those paid by the International; if they are called out on strike they receive International strike pay and no more.

It is impossible, on account of the lack of adequate statistics, to determine what effect the expansion of International activities has had on the expenditures of the local unions. Since the International undertakes the support of strikes, cares for the burial of the dead, and the maintenance of the aged, it might be supposed that the outlay of the local unions would have decreased, but as far as can be judged from the inadequate data at hand, such does not appear to have been the case. The local unions have seemingly added new activities as rapidly as the International has absorbed their old ones.

PART II

MUTUAL INSURANCE AND TRADE REGULATIONS

CHAPTER VII

MUTUAL INSURANCE

The early typographical societies laid equal stress upon beneficiary activities¹ and the establishment of trade regulations which would "assure to their members an adequate return for their labor."² The beneficiary activities of these societies were not a shield for the concealment of their real aims; nor were the benefits simply or chiefly a means for the better enforcement of trade regulations. Mutual insurance and trade regulation were regarded as coördinate functions.

The benefits paid by the early societies in Philadelphia, New York, and Washington were established to meet the pressing needs occasioned by sickness and death. The original constitution of the Philadelphia society gave the board of directors power to award "sums to sickly and distressed members, their widows, and children." The amount of such "alimony" was not to exceed \$3 per week. Also, a burial benefit of \$10 was paid on the death of a member.³ The same provisions appear in

¹ Mutual Insurance", in the sense in which the term is used in this monograph, does not include the so-called "trade benefits." The term "benefit" is used by the present writer synonymously with the English term "friendly benefit." There is a clear distinction between "trade benefits" and "friendly benefits", and it seems desirable that the term "benefit" should be confined entirely to the latter class.

² In 1815 the committee of correspondence of the Columbia society declared that the newly formed society had for its objects: "first, benevolence, and, second, the establishment of a regular system of prices."

³ In New York and Philadelphia the burial benefit was increased to \$25 within a short time after the foundation of the societies.

the constitutions of both the New York and the Washington societies. The administration of the sick benefit in the societies was simple but effective. In Philadelphia the three junior members of the board of directors were constituted a visiting committee, whose duty it was to investigate and report upon the cases of the applicants for relief. The New York society for a considerable time relied upon the statements of members made in open meeting as to the need for relief, but in 1815 the three junior directors were charged with the duty of personally investigating the claims. The sick benefits in all the early societies were paid as a charity. The members did not claim or expect relief in case of sickness merely because they were ill, but because they were also "distressed."⁴

Some of the societies organized about 1830 paid benefits of much the same kind as those of the early societies. A member of the Baltimore Typographical Society, for example, was entitled to a weekly sick benefit of \$2.50; and, at the death of any member of one year's standing, the sum of \$30 was allowed for defraying his funeral expenses. The sick benefit was not regarded as a charity, but was paid irrespective of the need of the member. Other societies of the period definitely subordinated their beneficiary functions to their trade-regulating aims. The funds of the New York Typographical Association, for example, were devoted primarily to the relief of members "thrown out of employment in consequence of not ob-

⁴ On June 28, 1806, the board of directors of the Philadelphia society instituted an investigation into the conduct of the visiting committee which, it was charged, had urged a sick member who was not in needy circumstances to ask for relief. The board declared in a formal resolution that it was improper for any member of the board to "persuade or insist upon a sick member (capable of maintaining or supporting himself) whom they may visit to demand or receive the highest sum allowed by the constitution to sick and distressed members."

taining a price for their labor in accordance with the scale." Appropriations for the "relief of sick members and for the burial of deceased brethren" were to be made only when the fund in the treasury exceeded \$500. From 1830 the associations and unions as a whole were much more militant than their predecessors had been; and their beneficiary activities lessened.⁵ The higher dues necessitated by the maintenance of benefits prevented some printers from joining who otherwise would have become members;⁶ and the associations and unions were anxious to bring every journeyman into affiliation.

More potent still, perhaps, in leading to the abandonment of the local beneficiary systems was the desire to facilitate as much as possible the transfer of members from one society to another. The higher initiation fees and the period of preliminary membership required by the beneficiary societies were serious obstacles to the working out of the plans for a national organization. This feeling is reflected in the attitude which the early national conventions assumed toward the local beneficiary systems. The National Typographical Society in 1836 suggested that the local societies should admit printers who held cards to "trade benefits" without requiring the payment of an initiation fee. The Convention of Journeymen Printers recommended in 1850 "to all Typographical Trade Associations to abolish the so-called benefit system;"⁷ and in 1853 the National Union adopted a resolution requiring "such of its subordinates as yet

⁵ It is significant that in 1842 the Baltimore society entirely abandoned its beneficiary activities.

⁶ In 1853 a number of printers living in New York City alleged in a petition to the National Union that the New York union maintained beneficiary features which enhanced the cost of membership so largely as to deter many printers from joining.

⁷ Proceedings of the Convention of Journeymen Printers of the United States, 1850, p. 12.

retain the beneficiary system to alter their rules so as to admit to their fellowship those members of the craft who wish to be admitted for trade purposes only.”⁸

Some local unions admitted travelling printers to “trade membership”, and gave beneficiary rights only to those who had been members for a prescribed period and had paid an initiation fee; but a dangerous cleavage of interests within the union was thereby occasioned.⁹ By the time of the Civil War it had become unusual for a local union to pay benefits, and the weight of opinion was strongly against the advisability of combining trade and beneficiary functions.¹⁰ Although the local beneficiary systems were abandoned, an International system was not established until 1892. Under an International system a member of one local union could have passed readily into membership in another, since he would not have lost his beneficiary right on removing to another jurisdiction; but the International Union was, at the time, too weak to undertake such extensive functions. The beneficiary activities of the Printers from 1865 to 1892 were, therefore, very slight.

The most important form of relief given during these

⁸ Proceedings, 1853, p. 16.

⁹ In 1872 the International expressed its strong disapproval of any “discrimination on account of the relative position the deceased may have held in his organization” (Proceedings, 1872, pp. 35, 41).

¹⁰ In September, 1870, the *Printers' Circular*, the official organ of the International Union, set forth the generally accepted grounds for this view as follows: “Trade societies have a legitimate mission, the regulating of purely trade matters; and the more closely they are confined to the objects of their organization, the less expensive and the more successful they will be. The costs of belonging to them should be as light as is consistent with their proper maintenance, so that the expense of membership might not be an argument against them in the mind of any man struggling to maintain his credit with the landlord and the butcher. For this reason, objects which may be attained by voluntary associations independent of trade societies should not be made compulsory in them.”

years was assistance to travelling printers. Some local unions had funds for this purpose from which each applicant was given a specified sum; others gave only in exceptional cases; and still others left the matter entirely to the charity of individual members. The regulation of this relief was frequently considered by the International Union. A very early rule required that members on giving aid to a travelling member should endorse the amount upon the card of the recipient.¹¹ This rule was adopted in order to prevent abuses of private generosity; but it soon became customary for a local union, on making a loan to a travelling member, to endorse the amount on his card in the expectation that the local union in which the card was deposited would collect and return the sum advanced. Sometimes, if this was not done, the creditor union attempted to "rat" the delinquent printer, although he was now a member of another local union. The National Union uniformly refused to recognize such expulsions as proper, and in 1871 forbade the endorsing of loans upon the card.¹² Proposals for the establishment of a national system of travelling benefits were brought forward from time to time, but all were defeated.¹³

The formation of many mutual life insurance associations shortly after the Civil War led the International to consider the advisability of establishing an association for insuring the lives of union printers. A special committee, appointed in 1870, reported favorably and recommended that the opinion of the subordinate unions should be taken; but in 1871 the session voted the project "impracticable."¹⁴ From 1878 to 1885, one or more plans

¹¹ Proceedings, 1858, p. 46.

¹² *Ibid.*, 1868, p. 30; *Ibid.*, 1871, p. 38.

¹³ *Ibid.*, 1888, p. 131; *Typographical Journal*, Vol. 2, no. 4, p. 3.

¹⁴ *Ibid.*, 1871, p. 64.

for the formation of such an association were presented at almost every session. These were alike in some important particulars. All of them, for example, provided that only members of the local unions were to be admitted to the association, and that participation was to be voluntary; but they varied widely in financial details. Some of the plans provided that the members should be assessed a fixed amount whenever a death occurred, and that the sum realized should constitute the benefit; others provided for the payment by the association of a fixed sum on each death, and the assessment on each member was to be large enough to make it possible to pay the full sum. None of the plans made any provision for setting aside a reserve, and only a few provided for grading the amount of the assessment according to the age of the insured. The authors of the plans were uniformly optimistic as to the low rate at which insurance could be furnished.¹⁵

The attitude of the International toward these projects was vacillating in the extreme. It favored the adoption of some plan for furnishing mutual life insurance; but for a long time no one of those submitted commended itself to a majority at any session. Finally, in 1886, a committee reported one which was satisfactory, and an "insurance branch" was established. Membership in the branch was voluntary, and only members of local unions were admitted. An assessment of 25 to 50 cents, according to age at time of entrance, was levied at the death of any member of the branch, and the sum realized was paid to the heirs of the deceased. It was provided that the amount paid, however, was not to exceed \$500, and, if any assessment yielded more, the surplus was to

¹⁵ On the basis of the returns from a letter of inquiry sent to the local unions, it was usually assumed in the plans that the annual death rate of the members was about eight per thousand.

be applied to the payment of the next claim.¹⁶ The membership of the branch never exceeded 700, and the highest amount paid on a death claim was \$184.10. Two years' experience convinced the union that its members would not join such an association in large numbers, and in 1888 the branch was dissolved.¹⁷

Interest in the establishment of International benefits was greatly stimulated by the gift of \$10,000 made to the union in 1886 by Messrs. Geo. W. Childs and A. J. Drexel. The International decided to hold this sum intact for five years, and the members of the local unions were asked to contribute annually in the meantime the price of 1000 ems of composition, or the pay received for one hour's work.¹⁸ While the fund was thus being increased, its disposition was actively discussed.¹⁹

A considerable sentiment in favor of the establishment of a home for aged printers soon developed. The persistency with which this project had appeared and reappeared almost since the formation of the National Union attested its popularity. In October, 1856, the *Philadelphia Typographic Advertiser* suggested the foundation in that city of an "Asylum for Decayed Printers"; and the Philadelphia Typographical Society obtained from employing printers promises of sums of money and of a site for the Asylum. A committee of the National Union reported favorably on the project in 1858, but in 1860 the session refused to appropriate its surplus fund to the Asylum.²⁰ This action and the outbreak of the Civil War were probably responsible for the failure of the plan. In

¹⁶ Proceedings, 1886, pp. 106, 109.

¹⁷ *Ibid.*, 1888, p. 174.

¹⁸ *Ibid.*, 1886, pp. 16, 97.

¹⁹ In 1889 a proposal to use the fund as a reserve for a new insurance branch was defeated (*Typographical Journal*, Vol. I, no. 4, p. 3; Proceedings, 1889, pp. 32, 73).

²⁰ Proceedings, 1858, pp. 11, 13; *Ibid.*, 1860, pp. 53, 54.

1870 the Leavenworth (Kansas) local union proposed that the International should establish a "Home for Disabled Printers, the object being to have a comfortable place to which worn-out printers could retire and spend the evenings of their days, instead of sending them to the county poorhouses and finally filling paupers' graves, as too frequently occurs."²¹ The home was to be endowed by taxing the members of the local unions \$2 each. The committee to which this plan was referred reported that they "deemed it impracticable." In 1877 and in 1882 similar proposals were discussed.²² The session in each case approved the aim but was unable to assume the necessary expense.

The sentiment in favor of the establishment of a home was further stimulated by the receipt of several offers of land. At the first session of the International held after the Childs-Drexel gift had been made, the Austin (Texas) union announced that the city of Austin was willing to present a site for a home;²³ and in 1889 the board of trade of Colorado Springs proposed to give eighty acres of land within one mile of that city. An offer of a farm near Denver was also received.²⁴ The session finally decided to build a home at Colorado Springs, and this decision was approved by a vote of the membership.²⁵

Some members of the session were in favor of locating the home nearer to the great centers of population, but the majority believed that by building in the high and arid West the union could not only carry out the original design of providing a refuge for aged members, but could also provide a much needed sanitarium for printers ill

²¹ Proceedings, 1870, pp. 33, 55.

²² *Ibid.*, 1882, pp. 87, 97; *Ibid.*, 1883, pp. 57, 75.

²³ *Ibid.*, 1887, pp. 97, 122.

²⁴ *Ibid.*, 1889, p. 54.

²⁵ *Ibid.*, 1889, p. 70; *Typographical Journal*, Vol. 1, no. 4, p. 2.

of tuberculosis. For some years certain of the Western local unions had been burdened by the coming of many printers in ill health. In 1887 a delegate from Denver requested the session of the International to formulate some plan for aiding these wanderers. In an appeal for aid to the session of 1889, the San Antonio local union thus described the difficulties under which it was laboring: "We have all the year round consumptive printers here who come mostly from the North and very often in the last stages of this dreadful disease; a great many being unable to do a bit of work and without any of the necessary funds to live on are consequently thrown on our hands for support and looking after."²⁶ It was intended that the home should relieve these Western unions of this burden.

The Printers' Home was formally opened on May 12, 1892. To be admitted, applicants must have been in continuous good standing as members of the union for five years. They must be approved by the local union of which they are at the time members. Those suffering from infectious and contagious diseases or from "tuberculosis in the last stage" are not admitted.²⁷ With these exceptions any member incapacitated by age or disease may become a resident of the home.

The average number of residents by years has been as follows:

1893.....	22.7	1901.....	90
1894.....	32.5	1902.....	89
1895.....	45.0	1903.....	106
1896.....	61.4	1904.....	124
1897.....	69	1905.....	134
1898.....	72	1906.....	143
1899.....	90	1907.....	143
1900.....	90	1908.....	150

²⁶ Proceedings, 1889, p. 42.

²⁷ *Ibid.*, 1893, p. 215; *Ibid.*, 1894, p. 41.

A considerable number of the residents are suffering from tuberculosis; in 1907, for example, of eighty-three persons admitted, forty were ill of that disease. The other inmates are chiefly old members who are unable to support themselves at the trade.

The home is held by a self-perpetuating corporation, known as "The Union Printers' Home", consisting of seven members. The members of the corporation are nominated, as other International officers are elected, by a vote of the membership, except that the president and secretary-treasurer of the International are ex-officio nominees for places in the corporation. The election of the union's nominees by the board to places in the corporation is purely formal. The by-laws of the corporation provide that if any member of it ceases to be a member of the union he shall lose his place in the corporation. By these legal devices the International, an unincorporated association, has been able to absolutely control the Home corporation.

The trustees, as the members of the corporation are called, meet annually at the home, but the active management is entrusted to a superintendent elected by them. The administration of the home has on several occasions been the subject of considerable criticism. Complaints of dishonesty in administration and of maltreatment of inmates were made within a year of its opening, but an investigation made by the trustees exonerated the superintendent. The building showed serious defects as soon as it was occupied, and a considerable outlay was required to make it safe and serviceable. No effective supervision of the work while in progress appears to have been made.²⁸ In 1896 charges were made by one of the residents to the New York local union, and an in-

²⁸ Proceedings, 1893, p. 215.

vestigation was made by a committee appointed by the International president.²⁹ The superintendent of the home, annoyed by the criticism, resigned. Again, in 1900, a number of the residents, in a communication to the session, alleged that the home was mismanaged and the residents improperly treated. The charges were not, however, sustained by the trustees.³⁰ Since the International officers are regarded as responsible for the administration of the home, their political opponents have readily taken up the complaints of residents. As a result, in almost every recent campaign for the election of International officers, the management of the home has been one of the leading issues. Under these circumstances shortcomings have undoubtedly been magnified.

The wisdom of the International in establishing and maintaining the home has frequently been questioned. It has been argued that the benefits of the institution go to a very limited number of members,³¹ and that the same sum expended in some more widely distributed form of benefit would be more useful in attracting and holding members. Popular sentiment in the union has, however, strongly favored the continuance and enlargement of the home; and the membership has never refused to vote an additional tax for its support when the officers have shown the need.

Even before the home was opened, the International determined to extend still further its beneficiary activities by the establishment of an International burial benefit. A few local unions had paid the burial expenses of members even when the "benefit system" was in least favor; and

²⁹ *Typographical Journal*, Vol. 7, no. 7, p. 4; Vol. 8, p. 8.

³⁰ Proceedings, 1901, p. 77.

³¹ In 1907, for example, the total number of persons resident in the home during the year was 219 and the amount expended was \$66,267.72.

from about 1880 the number of such unions increased rapidly. In 1891 the secretary-treasurer of the International reported that 149 local unions, about one-half of the total number, paid burial benefits. The amounts paid ranged from \$25 to \$300, but the greater part of the unions paid from \$50 to \$75.³²

The local systems of burial benefits were unsatisfactory in several respects. Under the rules of the International, a union printer lost his membership, and consequently his right to benefits, in one union when he deposited his card with another. Since the unions required ordinarily that a printer should be in membership for a specified period before he became a beneficiary member, it resulted that a printer who passed from one union to another was for a time unprotected. Many of the "tramp printers" did not remain in the jurisdiction of any one union long enough to acquire beneficiary rights.³³ The burial of these printers was, therefore, frequently a charity; and the burden fell unequally on the local unions. The same Western unions that felt so keenly the burden of caring for consumptive printers complained that they had to pay the burial expenses of many printers who had unsuccessfully sought health within their jurisdictions.³⁴

³² Proceedings, 1891, p. 23.

³³ In 1880 a delegate to the session of the International proposed, without success, that a member who was "beneficial" in one union should retain his beneficiary rights until a sufficient time had elapsed to enable him to become entitled to benefits in the union to which he had removed (Proceedings, 1880, pp. 60, 69).

³⁴ The burden upon these unions has been sensibly lessened by the establishment of the home and the International burial benefit, but it is still heavy. In 1900 the Denver union secured the passage of an International rule permitting a local union to reject the card of a member "physically or mentally unable to earn a livelihood at the printing business." In 1903, however, the rule was repealed. In 1908 the executive council was authorized to aid local unions "burdened with sick members."

The matter created little concern until about 1888, when the complaints of the Western unions and the increase in the popularity of the death benefit combined to concentrate attention upon the subject. Some delegates, fearful of encroaching upon the functions of the local unions, yet realizing the desirability of making some provision for the burial of travelling printers, proposed that the International should pay the burial expenses of all printers holding travelling cards. The adoption of this plan would not have relieved the Western unions of their burden to any appreciable extent, nor would it have served to protect a member during the time he was acquiring beneficiary rights in a local union. The only effect would have been to provide for the burial of members who died while not affiliated with any local union. The advocates of an International burial benefit to be paid on the death of every member in good standing prevailed at the session held in 1891.³⁵ The plan was ratified by referendum, and has been effective since January 1, 1892. The amount of the benefit was originally \$50; in 1895 it was increased to \$60; in 1904, to \$70; and in 1908, to \$75.

The founding of the home and the establishment of the burial benefit were due not so much to the desire to build up a system of benefits as to make provision for certain conditions caused by the movement of members from one local union to another. The free passage of members from union to union had been from the outset a fundamental principle in the alliance of the local unions, and it was felt that a few local unions should not by the operation of this principle be burdened disproportionately with the care of the sick and the burial of the dead. The union, on the whole, still remained convinced that

³⁵ Proceedings, 1891, p. 133.

as a general rule the assumption of beneficiary activities by a trade union was not good policy; and for fifteen years after the inauguration of the burial benefit and the establishment of the home the membership steadily refused to sanction proposals for new International benefits.

The doctrine that a system of benefits is an aid in securing the enforcement of trade regulations has, however, gradually come into favor. As early as 1883 the International recommended to the subordinate unions the payment "of mortuary and benefit claims as a means of securing and retaining the permanent interest of the members of the fraternity;"³⁶ but there was no official advocacy of the establishment of a system of benefits on this ground until the accession to office in 1892 of President Prescott. As a delegate to the session of 1891, Mr. Prescott had presented the plan for the establishment of the burial benefit; and for seven years, as president, he constantly urged an increase in the beneficiary activities of the International.

The characteristic feature of his long campaign was the importance which he ascribed to a system of benefits as a means of promoting the strength and stability of the union.³⁷ He favored impartially sick or out-of-

³⁶ Proceedings, 1884, p. 67.

³⁷ Arguing in 1893 for the establishment of a sick benefit, he said: "It will not only help materially in securing new members but assist greatly in retaining them as well as those now affiliated with us. Much as we may deplore it, large numbers of our fellow craftsmen are not sufficiently discriminative or far-sighted to perceive the mighty influence organization has on wages and conditions, and an immediate and tangible benefit must be shown in order to secure their attention" (Proceedings, 1893, p. 16). In 1896 he said: "The history of our organization demonstrates that coincident with enhanced dues and benefits, the membership increased, payments were made promptly, and we became a greater influence for good" (Proceedings, 1896, p. 12).

work benefits as sentiment in the union appeared to make possible the adoption of the one or the other. In 1893 he advocated the establishment of a sick benefit. The session submitted to vote an elaborate plan, not only for sick benefits but for other benefits as well, but it was defeated. In 1894, taking advantage of the strong sympathy for the old members of the union who had been thrown out of employment by the introduction of the linotype, the president proposed that the International should establish an out-of-work benefit; the session refused, however, to submit the proposition to the membership. In 1896 he renewed his recommendation for an out-of-work benefit, and the session authorized the submission of the proposition;³⁸ but it was defeated by a small majority. The hardships involved in the introduction of the linotype having become less acute and the possibility of securing the establishment of a system of out-of-work benefits therefore more remote, the president returned in 1898 to his plan for inaugurating a system of sick benefits, as offering a better prospect of adoption; but the session would not submit the proposition.³⁹

President Lynch, who came into office in 1901, has favored quite as strongly the policy of extending the beneficiary activities of the International. In his first report to the session he declared himself in favor of a "maximum death benefit of \$500, a sick benefit fund, out-of-work fund, old age fund dependent on length of continuous membership, and any other form of special assistance that wisdom might from time to time dictate." A special committee appointed to investigate the subject recommended in 1903 that the International should aim within the near future to establish three benefits: a death

³⁸ Proceedings, 1896, pp. 79, 86.

³⁹ *Ibid.*, 1898, pp. 15, 99.

benefit graded in amount from \$65 to \$500, according to the length of continuous membership; a sick benefit; and an old age pension. It advised that the first step in this program should be the grading and increasing of the existing death benefit; but the session refused to submit this proposition to the membership on the ground that the time was an unfavorable one.⁴⁰

About 1904 a strong sentiment in favor of the establishment of an old age pension system began to develop in the union; and in 1905 the session authorized the appointment of a committee to investigate the question.⁴¹ In 1907 the committee reported a plan, under which a pension of \$4 per week was to be paid to all members sixty years of age and in continuous good standing for twenty years who were unable to "secure sustaining employment" and who had no adequate means of support.⁴² The proposition was approved by the session and when submitted to the membership was carried by a vote of 17,177 to 9914. The payment of pensions began on August 1, 1908.

Several circumstances combined to make the plan for the establishment of a system of old age pensions popular with the membership despite the heavy expenditure entailed. The foundation of the home had made provision for those incapacitated members who were willing to live in an institution, but those who had families and did not desire to leave them were entirely unaided. The

⁴⁰ Proceedings, 1902, p. 152; *Ibid.*, 1903, pp. 80, 161.

⁴¹ *Ibid.*, 1903, p. 164.

⁴² The session of 1908 amended in several important particulars the requirements for eligibility to the pension. The provision debarring members who had "adequate means of support" was struck out, and "sustaining employment" was defined to mean employment in the printing trade at not less than \$4 per week. The aim of these amendments was to remove from the pension any imputation of charity.

union felt that the relief given by the home should be supplemented by outdoor relief for those who preferred to live elsewhere. Moreover, certain events had made the union highly sensible of the hardships suffered by its aged members. Twice within recent years large numbers of old men had been retired from the trade and their ability to earn a living impaired or destroyed. The displacement of hand compositors due to the introduction of the linotype had affected most seriously this class of members;⁴³ and in the great eight-hour strike of 1905-1907 the aged members who came out on the order of the union were in many cases unable to secure employment again.⁴⁴ It seemed clear that every considerable readjustment in the trade was likely to affect most seriously the older members.⁴⁵

⁴³ In 1896 President Prescott said: "Owing to the wonderful powers of expansion possessed by the printing business, few of our younger and more competent members have felt seriously the injury inflicted by the sudden and somewhat unlooked for introduction of machines; but the older members suffered not only by losing situations on newspapers, but in seeing almost every avenue of employment in the trade closed by a rush of younger and more active men for situations that were formerly regarded as the preserve of our older members" (Proceedings, 1896, p. 12).

⁴⁴ The committee on old age pensions in its report to the session of 1907 said: "The recent eight-hour struggle has left many old men who gave up the last position they would ever have for the principle and honor involved, and for these benefits, lasting and positive to the young men, the old men have subscribed their all, thus placing the International Union under a heavy mortgage to them, since without their aid the eight-hour struggle would not have been so successful."

⁴⁵ The strong sympathy for these unfortunate members had already led several local unions to make some provision for them. After the introduction of the linotype, the New York union established an out-of-work benefit of \$4 weekly, with a maximum in any one year of \$60. The recipients of the benefit were largely members who were incapacitated by age. In 1903 the Chicago union made provision for the payment of an old age pension of \$3 per week and began to build up an endowment fund from which the pensions

The present system of benefits, consisting of the home, a burial benefit, and an old age pension, is far less extensive than that which the leaders of the union hope to see ultimately established. In 1907 President Lynch, in presenting the old age pension plan for the consideration of the convention, said: "This relief program might well start with pensions for the incapacitated and superannuated. It should not, however, be permitted to rest with the establishment of such a pension. It has long been the belief of the president that the International Typographical Union is great enough, experienced enough, and in the possession of the necessary machinery to establish and successfully carry on out-of-work benefits, a pension system, and, last and greatest of the three, an insurance system."⁴⁶ It is probable that the International will extend its beneficiary activities rather by adding new benefits than by increasing the amounts of existing ones, since the members of local unions in the smaller towns, who receive low wages, will prefer to distribute among a variety of purposes the small sums they can afford to pay for benefits. The International benefits will form a minimum provision for every member, to be supplemented by each local union according to the income of its members.

The development of beneficiary activities in the International Union has followed unique lines. Many American trade unions have established funeral benefits, and some maintain sick and out-of-work benefits; but in the establishment of the home and an adequate system of old age pensions the Printers have been pioneers. The International has not shaped its policy chiefly on the theory that

were to be paid. The New Orleans and Albany unions in 1907 established old age pension systems.

⁴⁶ Proceedings, 1907, p. 13.

its beneficiary activities should be increased for the purpose of attracting and holding members. It has, consequently, not established those benefits which are considered most effective as aids in the enforcement of trade regulations, such as sick and out-of-work benefits, but has preferred to establish certain benefits which were indicated by special circumstances as desirable.

The International system of benefits by no means includes all the beneficiary activities of Printers. In almost every large city in the country they support beneficiary societies, which are distinct from the local unions and membership in which is voluntary. These are usually of two kinds: chapel societies, which admit only those members of the local union who work in a particular office; or local societies, which admit any member of the local union.⁴⁷ Moreover, a considerable number of local unions supplement the International burial benefit with an additional amount from their own treasuries. A few of the local unions maintain out-of-work benefits.

⁴⁷ The old beneficiary societies at Boston, New York, and Philadelphia admit union and non-union printers to membership.

CHAPTER VIII

THE STANDARD RATE

Practically the only trade regulation enforced by the early societies was that which required members, under penalty of expulsion, not to work for less than the wages set forth in the society's price list. On December 20, 1802, less than two months after the organization of the Philadelphia society, one of its members was put on trial "for having infringed the established prices." On his promise that he "would not in this city in one week from this date work for under wages, he was excused;" but later offenders were summarily expelled. The New York society was equally vigorous in the enforcement upon its members of the rule requiring them not to work "under price." Every trade-regulating printers' union formed since that time has laid chief stress upon similar regulations.

In order to make any effective regulation concerning the price at which the workmen in the trade shall sell their labor to the employers, it is necessary for a union to formulate or adopt a measure for the labor which is to be sold and to fix a price upon it. This price is ordinarily called a "standard" or "minimum" rate. Below that rate no workman in the union is allowed to sell his labor. The problems which a trade union encounters in formulating a standard rate differ widely according to the nature of the rate involved, *i. e.*, whether it is a piece rate or a time rate. With a piece rate, it is the product that is to be standardized. The varieties of product must be classified, the work must be defined, and a system of meas-

urement must be adopted. On the other hand, with a time rate, the difficulty lies in the differing capacities of the workmen. The Printers, in the framing of their price lists, or scales, as they have been known since 1809, have faced in succession the difficulties inherent in the formulation of both piece and time rates.

The method of remuneration customary in the trade when the early societies were established was the piece system.¹ The employer, to be sure, was allowed to make his choice as to whether he would pay by the week or by the piece. Some workers were always employed on time, but they were few in number, and the time scale was based on the amount which a piece worker could earn. The fundamental principle in the system of piece payment already in use and adopted by the early societies was that the compositor should be paid according to the number of pieces of type which he set. This number was not counted, but was estimated by calculating the area of the surface covered by the matter. The unit in which the area was measured was a square surface known as an em. Thus the compositor was paid in Philadelphia in 1802, 25 cents per thousand ems. For this price, however, he had not only to pick up the letters and arrange them in words and sentences, but to perform all the other operations necessary to prepare the matter for the pressman. First of all, he filled the boxes of his cases with pieces of type, a process known as distributing or "throwing in." After the matter was set, he took a proof and corrected his errors. In a book and job office he had also to divide the matter into pages of uniform length—an operation known as making up—and finally to

¹The piece system appears to have been the ordinary method of payment in English printing offices since at least the beginning of the eighteenth century. See Hansard, T. C., "*Typographia*" (London, 1825), p. 778.

impose the pages, *i. e.*, arrange them in such a way that when an impression was taken the sheet would page properly.² The whole amount of work done in distributing, composing, making up, and imposing was paid for according to the estimated number of pieces of type set, and it was assumed that all the other operations were in proportion to the work of setting the type.

The difficulties encountered by the Printers in the working of this piece system may be divided into three classes as they group themselves around (a) the definition of the work of the printer, (b) the classification of various kinds of product, and (c) the unit of measurement.

The Definition of the Work.—It is usually necessary to define the work which a piece worker is expected to do for the specified rate. Otherwise the rate paid by one employer, although nominally the same as that paid by another, may be something far different. The most important condition thus imposed by the union upon the employer of piece-working printers was that if any alterations were made in the copy after the matter had been set the employer was to pay the compositor for the time required to make the changes. The revision of the Philadelphia scale in 1803 included a provision that if alterations were made from copy the compositor was to receive 20 cents per hour for the time he was employed in making them. A similar provision was made in all succeeding scales. Again if the compositor was required to distribute type which he did not use he was to be paid for the time so spent; or if he made a set of "furniture", *i. e.*, got together the pieces of wood used in making up,

² In daily newspaper offices the making up and imposing was done by specialized workers, known as "the printers", paid by the week. The newspaper offices until about 1850 were much less important than the book and job offices.

he was to have extra pay. The New York scale of 1833 provided that if the type furnished the compositor was defective, and he had to take it out after it had been set, he was to be paid at the hour rate for the time so spent. Extra pay was expected, however, only when the number of such letters was excessive, "due to faults in the founder, miscasts, or worn-out fonts." Such drawbacks as those noted were recognized by trade custom as carrying the right to some compensation; but the union scales defined them more explicitly and prescribed a definite rate of remuneration.

The Classification of the Work.—Obviously not all kinds of matter can be set with equal speed. The printers' piece scales set a price for ordinary or "common" matter, and a higher price was placed on certain other kinds which could not be set so rapidly. The higher priced matter was of various kinds.

In the first place, the language or the characters might be unusual. An English speaking printer could not set one thousand ems of French or Latin so quickly as he could set the same amount of English. In the case of a language like Hebrew or Greek, the compositor was impeded in his work not only by the strangeness of the language but by the unfamiliarity of the characters as well. Again, it might happen that while the bulk of a work was in English, a considerable number of foreign words might occur. If these words were in Roman characters, the compositor was not so much retarded; but if they were in Greek or Hebrew or other "dead characters", he had to leave the case at which he was working and go for his type to a case which contained the desired characters. In much the same way, certain classes of works with a variety of unusual characters, such as algebraical, musical, arithmetical, astronomical,

and pronouncing signs, were set up more slowly than common matter.

Secondly, the compositor might be retarded by having to spend on certain kinds of matter a greater amount of time in spacing out the lines, or, to use the technical term, in "justifying." In some kinds of work, as for example in tabular matter, the compositor had to arrange certain parts of one line so that they would fall directly under certain parts of the preceding line. To accomplish this required careful attention and perhaps experimentation. "Rule and figure work" for this reason was always priced higher than common matter; cut-in notes and side notes were also paid for at a higher rate. Moreover, if the matter was set in narrow columns, extra time was required for justifying.

Thirdly, the size of the type used was a factor in the speed of the compositor. To set one thousand pieces of very large type or one thousand pieces of very small type required more time than to set one thousand pieces of ordinary sized type. The larger type involved more time spent in justifying per 1000 ems,³ and the smaller type could not be picked up so rapidly by the compositor.

Before any printers' society was organized, the classes of matter noted above were, of course, roughly recognized as requiring more time to set than common matter; but the influence of the societies and unions was steadily exerted, first, to have them explicitly recognized as higher priced, and, secondly, to have a definite rate of differen-

³Hansard, *loc. cit.*, gives an additional reason for the differential rate on matter set in large type. "As far back (previous to 1785) as I have been enabled to trace any fixed price, it appears that composition was paid in some degree according to the size of the type used, upon the very rational principle that a compositor had much less interruption in the actual operation of composing or picking up his thousands when working upon small type than he would have when upon large by the more frequent making up and correcting."

tial remuneration assigned to each of them. The earliest price list formulated by the Philadelphia society was very simple. It set forth a price for week work, a price for common matter set in ordinary sizes of type, and a higher price for only one class of matter, *viz.*, common rule or figure work. On January 15, 1803, the Philadelphia society appointed a committee to add to their list of prices "such additional items for extra work as may come under their knowledge"; and on April 23, 1803, a revised scale was adopted which included prices for several classes of higher priced matter.

The same tendency is shown by a comparison of the New York scales of 1809 and of 1815. In the scale of 1809 nearly every form of "extra work" was enumerated; but with few exceptions the prices to be paid were expressly left to be settled by the journeymen and the employer. Certain kinds of work were thus defined as "extra", and the right of the workman to a higher piece rate for them established. If the number of notes was excessive, the price was to be "struck by the journeymen of the office and the employer." "Works done partly in figures and partly plain" were to be "paid in proportion to the trouble."⁴ In the scale of 1815, definite prices were assigned to all the forms of "extra work" enumerated except the side, bottom, and cut-in notes, the amount of the remuneration for which was still left explicitly to individual bargaining.

Although the societies and their successors, the unions, were all solicitous to classify "extra work" and to set prices upon it, the unions in different cities settled upon quite different "extra" prices for the same kind of work.

⁴ The scale of 1809 is the first of the price lists which set forth in any elaboration the classes of matter. It is reprinted in Appendix 5. Copies are preserved in the Library of Congress and in the archives of the Philadelphia society.

In one case, that of the price for works in foreign languages, the differences are partially explainable by the fact that the printers in a particular city, or a considerable part of them, were familiar with the foreign language. Thus, the unusual provision in the New Orleans scale of 1839 that the price for English, French, and Spanish works should be the same was due to the mixed racial character of the population. But in many kinds of "extra work" the differences between the scales in different cities were the result simply of tradition and custom.

The desirability of bringing into uniformity the varied provisions of the local unions as to "extra" prices was frequently considered by the International Union. In practically every case the idea was not to establish prices for all kinds of "extra work", but for those kinds which occurred most frequently, *viz.*, tabular and columnar work. The ordinary practice of the local unions was to charge some kinds of tabular and columnar matter a differential over common matter of 50 per cent, and others a differential of 100 per cent, but they disagreed widely as to which kinds were "price and a half" and which were "double price." In 1858 the National Union declared that the question was a local one. In 1878 a comprehensive plan for classifying the various kinds of matter as "price and a half" and "double price" was submitted to the session of the International and defeated.⁵ Later proposals looking to the same end were uniformly rejected.

The rate for common matter was ordinarily the lowest rate, but the employers claimed, and a few unions conceded, a lower rate on matter set from printed copy. Matter of this kind was known as "reprint", and before the invention of stereotyping it constituted a considerable

⁵ Proceedings, 1858, p. 21; *Ibid.*, 1878, p. 39; *Ibid.*, 1887, p. 72.

part of the work in the large offices. Since the compositor lost no time in deciphering the copy, the employers contended that reprint should be set at a lower rate than matter set from manuscript. The New York scale of 1815 priced reprint lower than "works composed from manuscript copy." The New York scales of 1833, 1850, 1869, and the present scale have all recognized the same distinction, and the Philadelphia union for a time followed this precedent. Yet difficulties lay in the way of making such a distinction, for printed copy may be so interlined that it is as difficult to decipher as manuscript. The unions that allowed a differential in favor of reprint had accordingly to make some rough rule against interlineations. The New York union in its present scale defines as reprint, "printed copy substantially free from alterations or interlineations save remodelling of punctuation or orthography which shall be done, if at all, before it is given out to the compositor."

The contention of the unions in general was that reprint was one of a series of different kinds of copy, and that, since the unions did not discriminate in their scales against bad copy, all copy should be taken at the same average rate. In 1883 the president of the International complained that a "system of discrimination" between different kinds of work had been "making silent but steady inroads." The discriminations referred to were chiefly those between printed and manuscript copy. Acting on this suggestion, the International forbade any subordinate union to have "other than a uniform price for manuscript or reprint"; but at the session held two years later the New York union secured the repeal of the rule.⁶

⁶Proceedings, 1883, pp. 14, 84; *Ibid.*, 1885, p. 79.

The system of classification outlined above fell far short of bringing the prices for all kinds of matter to rates of pay proportionate to the amount of work involved. One great class of differences was disregarded entirely. The greater part of a book or newspaper ordinarily consists of "straight" matter, *i. e.*, type of uniform and ordinary size set so as not to leave blank spaces, other than those required to indicate divisions into words, sentences, and paragraphs. Part of the matter in every book or newspaper, however, consists of larger pieces of type separated perhaps by large blank spaces, such as, to take a striking case, the "display" advertisements of a newspaper or the title page of a book. Or, it may be that blank spaces are left here and there in the midst of otherwise "straight" matter. The compositor can set such matter ordinarily more rapidly than "straight" matter, but its forms are so numerous and so varied as to baffle any attempt at classification with reference to the amount of work involved.

It is conceivable that at the outset the piece rate might have been fixed expressly for "straight" matter. If this had been done, the employer would have had to pay at a time rate for the setting of other matter, since it varies so much as to be irreducible as a whole to piece rates. But a different plan was pursued. The employers paid the compositors at the same price per 1000 ems for the entire work. A partially blank page thus gave the compositor the same return as a full one, although it involved much less trouble. So the head and foot lines of a book, as well as any "display" matter which might occur, such as the title, half-title, and dedication pages, were paid for as if the space was filled with "straight" matter. It followed that the compositor in setting up some parts of every work could earn more in the same length of time

than in setting up other parts. The profitable work was known in the trade as "fat."⁷

The system of paying for the work as an entirety was a trade custom and owed its origin and continuance chiefly to the desire to reduce the whole work to a piece price. The original adoption of the lump rate was partly due also to the fact that although the compositor at that time performed several operations not directly connected with the setting of type, such as making up and imposing, he was paid entirely according to the amount of matter composed. Usually the amount of the other operations required was in direct proportion to the amount of type-setting, but sometimes this was not the case. Only a few lines of type might be set for a page, the rest of the page being blank; but the page had to be made up and imposed. If the compositor had been paid only for the actual space covered by the type, the rate of remuneration for the labor involved in setting that page would have been less than for other pages.

The unions early showed their reluctance to have any part of the "fat" taken away from the compositors and set on time. Since it had been customary for the piece workers to have the "fat" matter, and the rate had been set on that assumption, the unions maintained that any diversion of the "fat" from them was an invasion of the rate. The scales, beginning with the New York scale of 1809, set forth specifically the rights of the compositors to forms of "fat" which were in dispute. Since the unions allowed the employers to have work done either by time or piece, and since some employers had both piece and time hands, the unions provided that the employers should not pick out the "fat" matter for the time hands.

⁷ "The Dictionary of Typography and its Accessory Arts," Philadelphia, 1872, gives this definition: "Fat—Advantage easily obtained. With Compositors, light open matter and short or blank pages."

Sometimes it was provided simply: "No employer shall cull the fat portions of any work."

From about 1830 the compositors in book offices gradually lost certain kinds of "fat." This was due to the gradual introduction in the book offices of a system of division of labor under which the making up and imposing were entrusted to a printer paid by time. The work of the compositor was now confined in such offices to setting type. Since he delivered the matter to the make-up men on galleys and did not divide it into pages, the employer was reluctant to allow him those forms of "fat" directly connected with the making up, *i. e.*, the head lines, the foot lines, and the blank or partially blank pages. The unions attempted to retain the "fat" by allowing the employer a definite sum for making up and imposing. The Baltimore scale of 1832, for example, provided that for all matter made up and imposed by the employer no more than 2 cents per 1000 ems should be allowed; the compositor was to retain the "counting of the head, blank, and foot lines." These efforts to hold the "make-up fat" were generally unsuccessful. Some unions were able to retain the "sinkage" at the beginning of each chapter, but the employers, in most cases, had the head and foot lines.

The other form of "fat", that appearing in the galley, such as "display" matter, was generally retained by the compositors in book offices, although even here the employers secured some concessions. The title, half-title, and dedication pages were in some cities set by time hands. Cuts and plates inserted in the type were charged for, or, in the technical phrase, "measured" as if the space they covered had been set up in type. Curious and minute distinctions were made between cuts inserted by the compositor in a page and those filling a whole

page. The clue to all these distinctions lies in the acceptance of a method of remuneration under which, in view of the difficulty of settling on prices for the many forms of "fat" matter which might occur, the compositor was paid at a lump rate.⁸

While by the development of the industry the question of "fat" matter came to be less and less important in the book offices, it increased in importance in the newspaper offices. Not only did the relative amount of space occupied by advertisements increase, but the advertisements became more and more of a "display" character. Even in the days of the Philadelphia society, almost all advertisements had carried some "display", but by 1860 the advertising "fat" was an important item in the earnings of newspaper compositors. Moreover, certain parts of the newspaper were kept standing and only slight changes made from day to day. Such for example were the stock and produce market reports. Certain classes of notices, *e. g.*, "marriages", were so much alike that the matter needed only a few changes to make it serve for another insertion. So important was the "fat" matter on newspapers that the unions usually provided that all

⁸ One form of "fat" which might easily have been classified and assigned a lower rate was leaded matter, *i. e.*, matter in which the lines of type are separated by inserted strips of metal. By leading matter, the space covered is increased at a very slight expenditure of time. If the leads are thick, a very considerable gain is made and the matter is very "fat." In 1809 the New York employers suggested in their counter proposition to the demands of the journeymen: "Scabbarded [*i. e.*, leaded] works (when the scabbards are not thinner than four to an em of the text) shall be charged two cents less than the solid matter." This was not acceded to by the society. (See Appendices 4 and 5). The New York scale of 1869 provided that matter in which leads over a certain thickness were used should be charged something less per 1000 ems. Practically all the other unions refused to make such a classification.

the composition should be done exclusively by piece hands.⁹

The assumption on which the unions acted was that the employer had engaged a number of compositors to set up his newspaper at a lump rate for the entire amount of matter contained in it. Whether they used part of the matter set up the day before in getting up the paper, or whether they were able to do some part of the work in less time per 1000 ems than if it were "straight" matter, was immaterial. The price per 1000 ems was not the price for "straight" new matter but was the price for the newspaper taken as a whole. One concession from this extreme position was perhaps always made. Advertisements marked for reinsertion were not "measured" each day. Every other point involved was sturdily fought for through many years.

The view that the compositors in an office had undertaken the setting up of the entire newspaper at a lump rate involved the principle that each compositor in an office was entitled to an equal share in the "fat." The common method of dividing the "fat" was to require that all copy as it came to the composing room should be placed on a "hook" or file, and that each compositor should take from it in order. In some offices certain kinds of "fat" were apportioned by lot. Other kinds went around the office by rotation. Whatever system was used, the essential principle always observed was that every compositor in the office was entitled to an equal share or chance.

In some newspaper offices the employers wished to assign to certain compositors all the advertisements or all the "markets." The creation of such "departments" was defended on the ground that it was necessary to have the same compositor do the work regularly if certain

⁹ Proceedings, 1873, p. 66; *Ibid.*, 1883, pp. 55, 82; *Ibid.*, 1884, p. 19.

kinds of matter were to be properly set. If the compositor in charge of the "department" was paid at the regular piece rate, he benefited at the expense of the other men in the office, since he appropriated "fat" which was the common property of the men in the office; on the other hand, if he worked for less, he violated the standard rate. The National Union discussed the question in 1857 and, while opposed to the creation of "departments", came to the conclusion that the subject should be left to the local unions, since a general prohibition would cause trouble in places where some such arrangement was necessary.¹⁰ In 1860 a resolution recommending "to all subordinate unions the propriety of adopting such measures as will tend to abolish departments in the various newspaper offices" was discussed. The resolution declared that in many offices a system of favoritism was practised "to a considerable extent between foreman and journeymen"; but the National Union was unwilling to go farther than it had gone three years before.¹¹

The kind of matter which the employers were most desirous of having set exclusively by one or more compositors was the "display" advertising. To have this taken from the "hook" or given round in rotation meant usually that the advertisements would be badly set. A method of meeting the desires of both the compositors and the employers was finally devised. It became the usual practice to sell at auction to the highest bidder the right to set the advertisements. The compositor who "bought the ads." was able to earn a larger sum than the average

¹⁰ Proceedings, 1857, p. 33. The resolution read as follows: "It is the opinion of the National Union that it is neither wise policy nor correct principle that anything should be enacted relative to the internal affairs of printing offices; but this Union is of the opinion that it is to the interest of the trade, as well as to that of the employer, that as few departments should exist as practicable."

¹¹ *Ibid.*, 1860, pp. 26, 29.

workman, and out of this he turned over to the other workmen in the office the amount, usually a *per centum*, which he had bid.¹² By this method every compositor participated equally in the distribution of the "ad. fat", and the advertisements were set exclusively by one or more compositors. The International Union in a series of decisions held that the system was not a violation of the recommendation against "departments."¹³

There were, however, inconveniences in this arrangement, since the journeyman who bid highest was sometimes not satisfactory to the employer. The local unions began to agree with employers that the advertisements might be set by time workers. In return for this concession, an advance in the piece rate for "straight" matter, regarded as equivalent to the lost "fat", was exacted. The chief difficulty involved in making such an agreement was that the amount of "display" advertising varied so greatly in different newspapers as to make it difficult to set a price for all the offices. One publisher might be willing to give for the privilege an advance on the piece rate of 6 cents per 1000 ems, while another publisher in the same city might not be willing to give more than three cents.¹⁴

¹² The sum thus received was either spent for the general use of the compositors in buying soap, for washing towels, and sometimes in employing a man to clean the case boxes, or it was divided equally among the compositors in the office.

¹³ Proceedings, 1877, p. 22; *Ibid.*, 1890, p. 69.

¹⁴ Opposition to such an arrangement arose, also, simply from the attachment of the printers to a time-honored custom. In 1884 the president of the International advised that the subordinate unions allow advertisements to be set on time, and argued that the large piece earnings of the "ad. men" gave the employers a strong argument in resisting advances in the piece rate. The New York union, in a communication to the next session, declared that it had read "the utterance of the late president, with astonishment and indignation," and entered "its solemn protest against the adoption of any

As the "fat" steadily increased, the employers saw that the men who set certain parts of the newspaper could earn perhaps three times as much a day as those working on other parts. They began in many cases to demand that certain parts of the "fat" matter should be set on time. The result was, as a rule, an elaborate compromise by which the unions yielded to the employer a part of the "fat." Just where the division was struck depended on local conditions, the strength of the union, and the amount of "fat" of various kinds.

Two instances will illustrate the varieties of compromise effected. When the Baltimore union framed its last scale for piece composition on newspapers, it had divided the "fat" as follows: The "office was to have", *i. e.*, the employer was allowed to have set on time, the stock list and "display" advertisements, electrotyped medical advertisements, picture cuts, maps, and diagrams used in "display" advertisements, and all cuts requiring no justifying. All other cuts, "marriages and deaths", shipping news, real estate transfers, and produce market reports were to be the "property of the piece hands." The New York union in its last piece scale for newspapers declared that in "newspaper composition everything between the column rules belongs to the compositor except (a) illustrative cuts one column or over in width, (b) standing advertisements unless five lines are added, and (c) diagrams set on time." "Display" advertisements and all advertising cuts thus went to the compositor. The union permitted employers to set their advertisements on

such policy." "The correct principle of unionism," it declared, "is that there shall be no departments and that all copy shall be placed on the hook or board and not at the disposal of a few favorites." The International Union refused by a vote of sixty-six to seven to interfere with the system of selling the "fat."

time, provided they paid a higher rate for "straight" matter.

The policy of the local unions in attempting to enforce a lump rate on newspapers is open to criticism. At any given time, for a local union to have ceded the "fat" or any part of it without receiving compensation in the form of an increase in the piece rate would, of course, have been simply a lowering of the piece rate. But the unions might at favorable opportunities have directed their efforts toward the yielding of the "fat" for an adequate compensation and thus have rid themselves of a troublesome problem. On the contrary, they always showed themselves strongly averse to such arrangements. The uncertainty in the amount of remuneration under the lump rate system, perhaps, appealed to the gambling instinct. Certainly, it led to an exaggerated opinion as to the amount of "fat."

The Unit of Measurement. — A somewhat technical description of type is necessary to an understanding of the system of measurement by ems. Pieces of type, except those used for spacing, consist of a body and a face. The body is a right-angled, prism-shaped piece of metal on the end of which the face is cast in relief. It is from the face that the printed impression is made. The end of the body is larger than the face, and the ordinary blanks between the printed lines and between the letters in a word are thus produced. Larger blanks, such as those between words, are produced by the insertion of blank pieces of type, known as spaces. The bodies of the pieces of type fill up entirely a page of composition.

The dimension of the body of a piece of type across the page is known as its width, and the dimension up and down the page as its depth. In any font of type, the depth of all the pieces is the same, but the widths of the

bodies vary with the width of the letters cast on them. That of the letter *m* is the greatest and its width approximates its depth. An em in any font is the square surface each side of which is equal to the depth of the pieces. The size of the em varies according to the size of the type. An em in a font of pica, for example, is larger than an em in a font of brevier. Such variations in absolute size obviously do not affect the em as a unit for measuring the number of pieces set so long as the size of the pieces of type varies proportionately with the size of the em.

The theory that the em measures correctly the number of pieces of type set rests on two assumptions. It is taken for granted that if a compositor sets a considerable amount of matter the thin and thick bodies will average up, since the letters of the alphabet occur always in about the same proportion. It is also assumed that the combined width of all the letters in the alphabet in every font bears the same fixed relation to the depth. The first assumption is entirely justified, but the second is not, and the defect in the em as a unit of measurement arises from the fact that different fonts of type vary widely in the ratio of the widths of the bodies taken together to their depths. A concrete case may make the point clearer. If a piece of matter contains thirty lines and its width is equal to one-third of its length, it measures 300 ems, but the number of pieces of type the compositor has to set to compose the matter will be larger or smaller according to the width of the pieces. If it were set from one font, there might be on the average sixty pieces to the line, while from another of exactly the same depth there might be fifty pieces. To set 1000 ems of the former font would require one-fifth more time than to set 1000 ems of the latter. Obviously certain limits are placed by considera-

tions of legibility and appearance on the extent to which the pieces can be "thinned" or "fattened" in proportion to their depth; but these limits are wide enough to permit considerable variations.

The system of measurement by ems, in the form in which it was first used in this country, took no account of the possibilities of such variations. The early societies of printers did not discuss the subject or make any provisions concerning it in their scales, probably because the fonts then cast were more nearly uniform in the ratio of width to depth. The subject does not appear to have attracted attention from the Printers until 1837, when the Columbia society of Washington appointed a committee to investigate the "range of type in the several offices." It was found that the widths of all the lower case, *i. e.*, small, letters of the alphabet, taken together measured in different fonts from $11\frac{1}{2}$ to 13 times the depth of the type, or, as the committee put it, $11\frac{1}{2}$ to 13 ems.¹⁵ A compositor working from the "leanest" font had, therefore, to set about 15 per cent more pieces of type than from the "fattest" in order to have as many ems. The society adopted a rule that all type should "measure $12\frac{1}{2}$ ems to the alphabet", or, in other words, that the combined width of the bodies of all the lower case letters in any font should equal $12\frac{1}{2}$ times the depth of the body. If the font measured less than this, the compositor was to be paid at a higher rate per thousand ems. It was soon recognized that the smaller sizes of type ran ordinarily more ems to the alphabet than the larger, and the "alphabetical standard" was graded in such a way as to take this into account.

Practically all the local unions adopted this method of

¹⁵ *Printers' Circular*, Vol. 5, p. 60; MS. Minutes of Columbia Typographical Society, September-November, 1837.

dealing with the problem, and from about 1840 the scales ordinarily included "alphabetical standards"; but these varied widely from union to union. The National Union, in the hope of securing uniformity, recommended in 1858 the following standard: agate, 15 ems to the alphabet; nonpareil, 14; minion and brevier, 13; bourgeois to pica inclusive, 12.¹⁶ The difficulty in the adoption of any uniform standard lay in the fact that the different sizes of type were not standardized; different fonts of so-called brevier, for instance, were not always the same in depth. Each local union therefore preferred to adopt an "alphabetical standard" suited to local conditions. The unions differed also in their methods of charging for type falling below the standard. Some charged a rate simply proportionate to the amount of deviation from the standard, while others penalized the use of "lean" type. The latter course frequently involved friction, since an employer was usually unwilling to pay a price for "lean" type which yielded the compositor more than if it were of standard width. In 1882 the International, after a discussion protracted over some years, required the local unions to adopt the standard which had been previously recommended. They were also to charge type falling below the standard proportionately to its deviation.¹⁷

The adoption of these rules did not, however, make the em an exact measure of the work of the compositor, since only type below a certain width was standardized. No reduction in price was made if the type ran more ems to the alphabet than required. It was expressly laid down in the International rule that all fonts exceeding the standard width were "to the benefit of the compositor", and no reduction or allowance was to be made "owing to such

¹⁶ Proceedings, 1858, p. 21.

¹⁷ *Ibid.*, 1880, p. 40; *Ibid.*, 1881, p. 11; *Ibid.*, 1882, pp. 76, 84.

excess." The result was that those employers who wished to use broad-faced type paid a higher rate per piece of type set than others. The difference in the cost of setting a given number of letters in type of standard width and in a broader-faced type was sometimes considerable. In 1879 Mr. Samuel Rastall, in a comparison between five offices in Chicago, showed that, with the same labor with which a compositor setting minion type of standard width could earn \$18.63 in one office, he could earn \$21.62 in another office where the font was "fatter."

It was claimed also that the "alphabetical standard" was evaded. As early as 1871 it was charged by some journeymen that the letters most frequently occurring—*a, c, d, e, i, l, m, n, o, r, s, t*, and *u*—were cast thin, and the seldom used letters, such as *x* and *z*, were cast thick. An alphabet so cast would measure the required ratio of width to depth, but the compositor would be no better off than if the type were below the standard in measure. Although the debasement of the standard in this way was not practicable to any great extent, since within any font the widths of the letters must bear a certain relation to each other or the matter will have a distorted appearance, it was occasionally resorted to.¹⁸ To prevent such evasions, in 1890 the International required that in any font the letters *a, c, d, e, i, l, m, n, o, r, s, t*, and *u* should equal in width at least one-half of the width of the whole alphabet.

The defects in the em system of measurement led to proposals for the adoption of a new unit. The most widely discussed of these plans was that proposed in 1879

¹⁸ A committee of the International reported in 1893 that representative type-founders in conference had admitted "that in the past, where a font of type fell below the standard, in certain cases it had been brought up to the standard, at the demand of the publisher ordering the font, by enlarging the letters least used, the *x, q*, etc."

by Mr. Samuel Rastall, secretary of the Chicago local union.¹⁹ The compositor was to take twenty-five letters, leaving out the *z* for convenience in computation. He was to take six spaces, the estimated number used in forming twenty-five letters into words. The length of these twenty-five letters and six spaces was to be the unit of measurement. Multiplied by forty, it gave a measure containing 1000 letters. This system was adopted by the International in 1881, but with the important proviso that it should be "enforced only in those localities where practicable." None of the local unions appears to have put it into effect. A similar plan was advocated in 1886 by Mr. MacKellar of the Type Founders' Association. He proposed that the width of the body of the letter *m* should be taken as a measure. This system was essentially the same as that of Mr. Rastall, except that it involved the assumption that the widths of all the other letters were in a fixed proportion to that of the *m*.

A final effort to secure a better unit of measurement was made in 1892. The National Publishers' Association held a preliminary conference on the subject in March of that year with the representatives of the Type Founders' Association and of the International. This conference favored the adoption of the MacKellar system. In order to protect the compositor against any alteration in the ratio of the width of the other letters to that of the letter *m*, the representatives of the union secured the insertion of provisions that the alphabet of any font should measure at least fifteen of its own *m*'s, and that the thirteen letters less used should equal in measurement the thirteen letters more used (*a, c, d, e, i, l, m, n, o, r, s, t, u*). The International submitted to the membership a propo-

¹⁹ A full explanation of the Rastall system of measurement was given by the inventor in the *Craftsman*, Dec. 13, 1884. The system is essentially the same as that used in all European countries.

sition authorizing the executive council to select one or more cities for a trial of the system and the proposal was carried.²⁰ By this time, however, the typesetting machine was being rapidly introduced, and the union was less concerned in the matter than it had been.

The chief reason why the union never insisted on the replacement of the defective em system by the far preferable system of measurement by letter, was that, in any adjustment of the piece rate to a more exact system of measurement, the earnings of the men in the "fat" offices would have been scaled down.²¹ Naturally there was strong opposition to such a readjustment. The differences in the amount of "fat" matter and in the "fatness" of the type made the real piece rate of the Printers differ widely in different offices in the same city. The result was a division of interest amongst the journeymen in different offices and in the two branches of the trade. Between two newspapers, a difference of 40 or 50 per cent might exist in the compensation paid for the same amount of work. The compositors working on "fat" newspapers were frequently unwilling to aid the men on the "lean" newspapers in raising the rate, since they feared that they might lose their situations.

Still more extreme was the difference between the pay received by the book and job compositors and that received by the newspaper compositors. The piece rate was nominally the same in both branches of the trade, but the book and job compositors had practically no "fat." The result was that the more enterprising and efficient compositors drifted into the newspaper offices. The book and job compositors in many cities were almost entirely unorganized. There were always keen-sighted

²⁰ Proceedings, 1892, pp. 20, 93; *Ibid.*, 1893, p. 16.

²¹ *Craftsman*, December 27, 1884; January 10, 17, 31 and February 14, 1885.

men who saw that the adoption of a better system of type measurement and the selling of the "fat" matter to the employers would have unified the interests of all journeymen printers and strengthened the union; but such a policy meant a lowering of wages for a part of the compositors, and was, therefore, successfully opposed.

Throughout the period from 1830 to 1890 there was a gradual, although slow, increase in the number of printers who worked by time. This was due to several causes. The most important was the very rapid increase, especially since the Civil War, in the amount of job work.²² A characteristic of job work, or far the greater part of it, is that the amount of "straight" matter used is relatively small compared with the amount of "display." The system of piece measurement used in the printing trade was therefore entirely unsuited to measure the amount of work done on a job. Every increase in such work has meant consequently an increase in the number of time workers. Also, when the employer "bought the advertisements", he usually paid the "ad. men" by the day or week. Finally, the division of labor noted above between the compositors and make-up men in the book and job offices involved the payment of the make-up men and "stone hands"²³ by time, since no one has ever devised a piece system for such work.

The great mass of the printers, however, until very recently, remained piece workers. No opposition to the piece system as a method of remuneration for compositors on newspapers ever developed in the union. In the book rooms, on the contrary, from about 1880 the local unions

²² Cards, circulars, bills, bill-heads, letter-heads, blank forms, posting bills, tickets, etc., are in the language of the trade "jobs."

²³ The workmen who make up and impose matte. in book and job offices are now ordinarily known as "stone hands."

in many cities attempted to secure the introduction of the time system, chiefly because the compositors in the book offices were irregularly employed. From 1885 successive sessions of the International recommended the "abolishment of piece work in book rooms where practicable." A vote of the membership in 1887 declared for the same policy,²⁴ but only a few unions were able to make any progress in that direction.

The transition to time work dates from the introduction of the linotype. In 1891, when the policy of the International with reference to the typesetting machines was definitely formulated, the local unions were advised to "adopt a weekly or time scale for the operation of machines." This recommendation, which was generally followed, was not the result of any dissatisfaction with the piece system. The machines were first introduced on newspapers, where, as has been noted, the piece system had been, on the whole, satisfactory. A time scale was considered preferable simply on account of the newness of the work and the consequent difficulty of estimating the average output to be expected.²⁵

Though payment by time is still the usual method of remuneration for the operators of typesetting and type-casting machines, an increasing number of local unions allow employers to pay by the piece if they prefer. A long and animated controversy has been carried on in the union in recent years as to the relative advantages of the two systems. The advocates of the piece system assert that slow operators can secure employment more readily under a piece scale. In opposition, it is claimed that the foremen will not employ slow men since the high fixed

²⁴ Proceedings, 1886, p. 76; *Ibid.*, 1887, pp. 75, 91, 127.

²⁵ *Ibid.*, 1891, p. 196.

charges, due to the cost of the machine and the expense of maintenance, make it imperative that the output of each machine should be large if the cost of production is to be low. Also, it has been argued that under a time system the fast operators cut the rate, since they do not ordinarily receive a wage differential proportionate to their higher output.²⁶

The objection most strongly urged against the piece system for operators is that it leads to "rushing" and that machine work is labor of an exhausting character. A piece scale, it is claimed, impels the operators to work at a hurtfully rapid rate. Another objection, which is given prominence in all the discussions, is that the large amount accomplished by the operators working by the piece decreases the number of men employed. A writer in the official journal, for example, complained that the adoption of the piece scale in Denver had cut down the amount of employment through increasing the hourly output.²⁷

The introduction of the machine, besides replacing hand compositors by machine operators, has been effective in another way in impressing the time system upon the union. Since a machine operator can set from three to five times as much matter as a hand compositor, the auxiliary workmen,—make-up men, "stone hands", and proof readers,—are relatively more numerous, and these have always been time workers. The "ad. men", who set by hand the "display" advertisements, are paid by time, even where machine operators are paid by the piece. The net result of these changes is that probably nine-tenths of the members of the union are time workers. In the larger

²⁶ A few unions, notably those at Chicago and Denver, have devised scales for operators in newspaper offices under which a minimum time rate is fixed for all operators, and, for all matter set beyond a fixed amount, a piece "bonus" is paid by the employers.

²⁷ *Typographical Journal*, Vol. 31, p. 414.

book offices some "straight" matter is still set by hand and paid for by the piece, but improvement in the machines tends constantly to lessen the amount of such matter. The piece scales, which in many cities are still printed in the books of scales, are almost obsolete. Few members of the unions are concerned in them, and to many their archaic provisions are absolutely unintelligible.

The difficulties which the Printers have encountered in the formulation of a standard rate for time workers, as has been indicated above, have been due chiefly to differences in the earning capacity of the workmen in the trade. Where the workers in a trade are so much alike, or the work they do is of such kind that under purely competitive conditions they receive the same wages per hour or day, the union in that trade experiences no difficulty in formulating a measure for labor. But printers vary greatly in earning capacity. In Baltimore, for example, some printers receive a wage as low as \$12 a week, while others receive as much as \$30, or, perhaps in a few cases, more. Such differences are automatically measured by a piece rate, but with a time rate the formulation of a scale for such workers involves difficulties.

A union desires if possible to bring the wages of every journeyman in the trade under the collective bargain. If the lowest union rate in Baltimore for printers were \$14 per week instead of \$15.40, undoubtedly some offices would employ union workmen which now do not. But if the wage were placed so low, the workmen earning sums considerably above the minimum would feel that the maintenance of such a low rate had little or no influence on their wages.²⁸ A union aims to devise such a

²⁸ The standard rate among the Printers is always a minimum and never a maximum. Any member may receive more if his employer is willing to pay him.

time scale as will not exclude a large number of workers from employment as unionists, and also will not leave the wages paid the more efficient members too far subject to individual bargaining.²⁹

Some trade unions permit certain classes of workmen to accept employment below the standard rate. By this means the standard rate can be put somewhat higher without excluding the excepted classes from the union. Until recently the local typographical unions insisted rigidly that no member should be allowed to work for less than the standard rate.³⁰ In the last few years, however, some of the local unions have begun to permit old members to work for less than the time rate.³¹ The subject was seriously considered at the session of the International in 1906, and subordinate unions were advised to establish a list of disabled members, who should be allowed to work under special conditions.³² The possibility of establishing such a list of workmen without breaking down the standard rate is due to the fact that incompetency caused by old age is a fairly recognizable criterion. Even in such cases the applicants are carefully scrutinized.

²⁹ Obviously the difficulty here pointed out affects the union's policy with reference to apprenticeship and the exclusion of incompetent workmen. If all apprentices were well taught, or if the union could force out of the trade the incompetent and less efficient workmen, the differences between the less and more efficient workmen would be decreased and the difficulty of formulating a scale lessened. See below pp. 178 and 304.

³⁰ In 1887 a resolution "recognizing the right of members of subordinate unions, feeling their inability to compete successfully with more favored workmen . . . to enter into an agreement with their employers whereby for a compensation and a limited time—to be fixed by subordinate unions, they may secure the desired proficiency" was voted down almost unanimously by the International (Proceedings, 1877, p. 66).

³¹ Proceedings of the United Typothetae, 1899, p. 74.

³² *Typographical Journal*, Vol. 26, p. 188; Proceedings, 1906, p. 170.

The suggestion has frequently been made that workmen might be graded into classes directly according to their earning capacity. If this could be accomplished, the scale might set forth a wage for each of these classes. The union could then bring into its membership workmen now excluded by inability to earn the minimum rate, and at the same time the union rates for the higher grades of workmen would correspond more nearly to the wages actually received. The employing printers have from time to time expressed the opinion that the rate should be graded directly according to the efficiency of the workmen. In 1887 the United Typothetae, the national association of employing book and job printers, appointed a committee to consider the subject of a "Graded Scale of Wages." After some consideration, the committee recommended that "in all places where printers' unions are in existence such unions be requested to inaugurate a system of graded scales of wages among their membership according to efficiency." In 1899 another committee, appointed to consider the same subject,³³ showed in its report a perfect apprehension of the difficulty involved. "As we understand the matter," they said, "what is called the 'scale' is supposed to represent the wage value of the poorest journeymen, the minimum wage for minimum ability; the expectation being that a better man will receive higher pay than 'scale.' In any case, it seems to us that any 'grading' must be done privately between the

³³ In his annual address, the president of the Typothetae had said: "In the coming years, when the number of really good men employed in typesetting either by hand or machine must constantly increase over the number of poor workmen,—why should the capable and energetic man, working day by day by the side of an inferior man, be contented, that each should receive the same wage? . . . The subject of grade in wages is one of vast importance to the journeymen, much greater than is usually suspected. Is it not wise for us to try to educate our employees along this line?"

two parties at interest and that it would be impossible to satisfactorily grade all workmen, except by an elaborate system of examination which would be appalling to undertake as well as unsatisfactory to most of those graded below first."³⁴ No local union has ever attempted to classify printers directly according to efficiency.

Much the same result has been obtained, however, by the Printers through classifying the workmen according to the kinds of work performed and according to the kinds of offices in which they are employed. Two kinds of offices are recognized in the scales, newspaper offices and book and job offices.³⁵ The rates for each class of employees are higher in newspaper offices than in book and job offices. Within each of these two kinds of offices the employees are classified according to the work they perform and a minimum wage assigned each class. Machine operators, for example, in both kinds of offices have a higher minimum rate than any other class of workmen. The rates for the other classes of workmen do not differ much from each other.

A typical scale consists, therefore, at the present time, essentially of four minimum rates. The highest rate is set for machine operators in newspaper offices. The machine operators in book and job offices have a lower rate. The proof readers and hand compositors in the newspaper offices usually receive less than the machine operators in the same offices.³⁶ The lowest rate of pay awarded to

³⁴ Proceedings of the United Typothetae, 1899, pp. 18, 73.

³⁵ Morning newspaper offices are distinguished from evening newspaper offices in the scales, but the difference in the rates is regarded as compensation for night work. Some unions insist, however, that where work is done in the day time for a morning newspaper, the night rate shall be paid. A few unions also have a separate scale for weekly newspaper offices.

³⁶ Rates are also prescribed in the scales for foremen and machine tenders. These are disregarded here, since the rate for foremen

any class is that of the hand compositors in the book and job offices. The following table gives the minimum rates in six large cities for the year 1908:

MINIMUM TIME RATES IN 1908

	EVENING NEWSPAPERS			BOOK AND JOB OFFICES		
	Oper- ators	Proof- readers	Hand com- positors	Oper- ators	Proof- readers	Hand com- positors
New York	\$28.00	\$28.00	\$28.00	\$23.00	\$21.00	\$21.00
Chicago	24.00 ¹	25.00	25.00	24.00	19.50	19.50
Philadelphia	20.00	18.00	18.00	20.00	18.00	18.00
St. Louis	23.25	23.25	23.25	24.00	18.24	18.24
Boston	25.62	25.62	25.62	20.00	18.00	18.00
Baltimore	22.50	21.00	21.00	21.00	15.40	15.40

¹A bonus is paid for all matter set above a certain amount.

The effect of this classification, which reflects differences in competitive earning capacity among the groups, is that a very large part of the members of the union receive a wage equal to or not much in excess of the minimum wage for their class. The point at which the system of classification breaks down is in the case of the hand compositors in the book and job offices. These workmen vary widely in their actual wages, although the minimum rate is the same for all. Highly skilled job men in Boston, for example, receive \$25 or \$30 a week, although the minimum rate is \$18. The \$7 or \$12 which they receive above the minimum rate is obtained by individual bargaining. The unions cannot, however, establish such a classification of hand compositors and proof readers in book and job offices as to set for the more highly paid men a higher rate. The offices are of all sizes and are hopelessly unstandardized. The possibility of making a higher rate in newspaper than in book and job offices was due to the fact that the newspaper offices are far more nearly alike in their organization than affects only a small number of workers, and the machine tenders are not usually printers. See below, p. 252.

are book and job offices. There has recently been a tendency in some local scales to make a higher rate for hand compositors and proof readers in the machine book and job offices, but it is doubtful if the machine offices are sufficiently homogeneous to make possible such a distinction.

The system of classification, outlined above, while undoubtedly increasing the effectiveness of the standard rate as a device in collective bargaining, has not been worked out as fully as it might have been because of the widespread feeling that, since the unions fix the rates and all the workmen concerned are members, the unions should make the minimum rate for all workmen the same. This feeling has been especially marked with respect to newspaper offices. In 1901 President Lynch, in his annual address, said: "It is a pleasure to note that in newspaper composing rooms there has been a more general equalization in hours and wages for all union employees. Classes are dangerous for our union movement. Proof readers, "ad. men", and floormen are equally skilled with machine operators and entitled to the same benefits and consideration by reason of union membership." Some of the larger local unions have established in newspaper offices the same minimum rate for all printers.³⁷

The standard rates among the Printers are entirely local, although from a very early time the local unions have felt to some extent the effect of the lower rates in other cities.³⁸ In the resolutions adopted in 1850 by the

³⁷ Note, for example, in the table on p. 138 the wage rates in New York, St. Louis, and Boston.

³⁸ On November 4, 1815, the New York Typographical Society appointed a committee "to confer with the different typographical societies in the United States; the duty of which committee shall be to induce (if possible) the journeymen of Philadelphia and Albany in particular to raise their prices to the same standard as ours." No answer was received from Philadelphia, but the society

first Convention of Journeymen Printers, one of the purposes in founding a national organization was declared to be "the regulation and adjustment of the different scales of prices so as not to conflict with each other."³⁹ But the local unions early showed their aversion from any interference by the National Union in wage questions. In 1853 a resolution instructing the Committee on New Business to inquire into "the practicability of establishing a minimum price for labor in our profession throughout the country" was rejected without reference to a committee.⁴⁰ The settled policy of the International Union has been to consider "scale questions" as purely local.

The pressure for national, or rather sectional, uniformity in rates has come chiefly from the employing printers in the book and job branch. Cheap and quicker transportation, better mail facilities, the increasing use of the telegraph and telephone have all contrived to make the inter-city competition keen for certain classes of book and job work.⁴¹ The result has been, in recent years, that the union rate in one city affects that in another. Even in book and job printing, however, the great mass of work done in any considerable printing center is largely con-

heard that the "journeymen at Albany had already raised their prices to the same standard."

³⁹ Proceedings of the National Convention of Journeymen Printers of the United States, 1850, New York, pp. 6-9.

⁴⁰ Proceedings, 1853, p. 19. The call for the convention of 1836 expressly provided that the "power now possessed by the different societies to regulate prices shall not be infringed by any regulation of the convention" (*Printers' Circular*, Vol. 4, p. 368).

⁴¹ Newspapers in different cities do not compete to the same extent as do the book and job printers, although even among newspapers certain territory is competitive. The newspaper publishers in New York have complained in more than one conference that the lower wage rate in Philadelphia gives the Philadelphia newspapers an advantage in competitive districts. This contention has, however, never been strongly made.

trolled by other influences than the rate of wages. The only serious consideration hitherto given to the equalization of rates among different localities grew out of the Syracuse conference, held in 1898 between representatives of the Typothetae and the International Union. The employing book and job printers laid stress on the fact that wages were higher in the large printing centers where the unions were strong than in the small cities, and asked that in the rearrangement of rates consequent upon the introduction of the nine-hour day, which had been arranged for by the conference, attention should be given to these differences. The union agreed that it would "endeavor to equalize the scales of wages in the competitive districts."⁴²

Not much appears to have been accomplished in this direction. The union was desirous of equalizing rates by raising wages in the cities where the rates were low rather than by lowering them in the cities where they were higher.⁴³ In a letter to the chairman of the executive committee of the Typothetae, dated September 8, 1899, Secretary Bramwood of the Typographical Union stated that of the 161 local unions which had reduced the working day from ten hours to nine since the formation of the agreement, 30 had suffered a reduction in weekly wages; 7 unions had increased weekly wages, and the remainder had made no change in the rates. The Typothetae was not

⁴² Report of Conference of Committees on Shorter Workday, (Boston, 1898), p. 183.

⁴³ President Donnelly of the International Union set forth this interpretation of the agreement in his address to the session of 1899: "There is one method by which wage-scales may be equalized without fear of antagonism on the part of employers; that method is to reduce rates to the level of the cheapest towns. It is not supposed that the Typothetae will expect us to take such a ridiculous step. The proper method is the gradual increase of the wage rates in towns where low rates prevail" (Proceedings, 1899, p. 64).

satisfied with the result and at its session in 1899 adopted the following resolution: "That the Executive Committee be directed to press upon the labor unions their obligation to bring about an equalization of the scale of wages in competitive districts in accordance with the Syracuse agreement." Even among the members of the Typothetae, there was serious opposition on the part of the employers in low-wage cities to having the Typothetae endorse the efforts of the unions to raise rates in these cities.⁴⁴

The union has, within the past few years, refused to grant the use of the label, the mark of union workmanship, in towns where the minimum wage is below a certain sum. In 1902 the minimum for the use of the label was placed at \$10, and in 1907 it was increased to \$12.⁴⁵ Since the demand for the label is partly a national demand due to the campaign carried on by the International, the union felt impelled to establish a national minimum wage for all work bearing the label, but the rate is so low that it has had practically no influence in reducing the differences between localities.

⁴⁴ Proceedings of the United Typothetae, 1899, pp. 35, 36, 108, 109. The same difficulty has shown itself, at times in the management of the "defense fund" of the Typothetae. Some members have maintained that the fund should not be used to aid members in low-wage cities in resisting the demands of the unions for an increase.

⁴⁵ Proceedings, 1902, p. 122; *Ibid.*, 1907, p. 246.

CHAPTER IX

THE WORKING DAY

The regulation of working hours was not one of the aims of the early societies. The members were chiefly piece hands, who, when work was plentiful, were willing to work long hours. No proposal was made in any of the societies to regulate the working day of piece workers. The working day for printers employed by the week appears to have varied at the beginning of the century from ten to eleven hours. On March 12, 1803, the directors of the Philadelphia society, in revising its list of prices, considered the insertion of the following clause: "In book offices—compositors and pressmen to receive not less than \$8 per week for ten hours work per day." In the price list as finally adopted, however, the length of the day was not fixed.¹ The New York master printers, in their counter proposition to the New York society in 1809, included a provision that "eleven hours should be considered a day in a book or evening paper office;"² but the scale finally settled upon contained no regulation of working hours.³ It appears probable that both societies, although not keenly interested in the matter, wished to establish the ten-hour day as the standard working day and to require pay for overtime at the same rate per hour as for "time"; yet no definite proposal for the payment of overtime was made by either of the societies.

An examination of the printers' scales formed from

¹ *Printers' Circular*, Vol. 2, p. 179.

² See Appendix 4.

³ See Appendix 5.

1830 to 1840 shows a considerable development from the early period. All of them provided that ten hours should be considered a day for printers employed on time in book and job offices. Some of the scales did not specify a rate for overtime. In such cases, it was understood, of course, that the overtime rate should be the same as the regular rate. The fullest provision is found in the scales of the New York and Baltimore associations of the period. Both charged a higher rate not only for overtime, but also for piece work done at unusual hours.⁴

No regulations concerning working hours in newspaper offices were formulated until much later. Very few time hands were employed in newspaper offices, and the conditions in that branch of the trade imposed a natural limit on the length of the working day. The regulations which gradually emerged were intended to give compensation for the discomfort involved in working at unusual hours. The Philadelphia scale of 1850, for example, contained the following clause: "If a hand shall be called to go to work after being through the regular work, \$1 shall be charged extra; and every hand employed upon a morning newspaper shall be entitled to 24 consecutive hours intermission from labor in each week, and, if called upon to work during such intermission, he shall be paid \$1 extra." Similar rules were adopted generally by the local unions.

The policy of the local unions with reference to the working day, as thus developed and as maintained for many years, may be summarized as follows: The standard

⁴ Constitution and By-Laws of the Baltimore Typographical Society, adopted 1832 (Baltimore, 1832); Constitution and By-Laws of the New York Typographical Association (New York, 1833). The provision in both scales was as follows: "When compositors in book and job offices shall be required to work after regular hours they shall be allowed twenty cents per hour, or five cents advance per thousand ems."

working day for the printers employed on time in book and job offices was ten hours, and the overtime rate was not high. The length of the day for piece workers in book and job offices was not fixed; but when they were kept in the office later than usual a slightly higher piece rate was charged for the work done "after hours." In newspaper offices, the few time workers such as make-up men and proof readers had no prescribed working day. The piece workers on newspapers were allowed to work as many hours as the employer desired; but certain regulations as to unseasonable hours were imposed. There were two purposes in the regulation of working hours outlined above. In the first place, in order to formulate a standard rate of wages for time workers the unions had to define a standard working day, and to insist on pay for overtime. Otherwise, the rate of wages, while nominally the same, would really have varied from office to office with the varying length of the working day. For establishing a standard day, it was not necessary that the overtime rate should be higher than the ordinary rate. Secondly, the unions wished to secure compensation at a higher rate for work done at unseasonable and unusual hours. The difference between the higher and the ordinary rate was regarded as a payment for the discomfort involved.

No movement for a reduction in the length of the working day appeared among the Printers until the close of the Civil War, when the growing agitation among trade unionists led the International from time to time to declare in a general way in favor of the principle. It commended the introduction of the eight-hour day in government work,⁵ and in 1869 and 1872 advised the local unions to consider the adoption of the eight-hour day

⁵ Proceedings, 1867, pp. 55, 56; *Ibid.*, 1868, pp. 34, 35.

"for their different localities, at as early a day as possible."⁶ These resolutions were largely perfunctory and had no effect upon the policy of the local unions.

The reception among the Printers of the doctrine that a reduction in the working hours will increase wages by decreasing the available supply of labor dates from the early eighties. In 1881, for the first time in the history of the International, the shortening of the working day was urged chiefly on the basis of this theory.⁷ The plan for shortening hours most favored from 1880 to 1886 was the simultaneous demand by all trade unionists for the eight-hour day. The International refused, however, in 1885, to recommend to the local unions that they should join in the proposed concerted action by all trades for the eight-hour day.⁸

Several circumstances combined to make the shorter work-day an important question at this time among the Printers. The increasing number of time workers in book and job offices gave a force to the agitation which it had never had before, since the doctrine that "shortening the hours increases the pay" finds far readier acceptance among time hands than among piece workers.⁹ The

⁶ Proceedings, 1869, p. 33.

⁷ *Ibid.*, 1881, pp. 30, 45; *Ibid.*, 1883, p. 61. An editorial in the *Craftsman* of March 12, 1887, set forth the theory in its barest form: "One thing is certain and sure and that is that the more hours a man labors, the less wages he receives per hour; the less hours he works, the better he is paid. This may seem a paradox, but a survey of those who labor in our own neighborhood will show that it is the truth."

⁸ In his address to the session of the International in 1886, the president said: "The eight-hour movement was so much embarrassed by labor disturbances at the date fixed for its inauguration that it was impossible for it to have a fair trial. I believe it will be found impracticable to legislate upon the question further than to reaffirm the faith of the craft in the principle."

⁹ The circumstances which had led to an increase in the number of time workers have been noted above, p. 131.

rapidly growing use of plate matter had caused, or was believed to have caused, a considerable amount of unemployment. The advocates of the nine-hour day argued that a reduction in hours would reduce the number of unemployed and cause such a decrease in the competition for employment that wages would be increased. The official organ of the union—*The Craftsman*—urged the shortening of hours as a duty the unions owed the unemployed.

The year 1886 marks the beginning of the effective movement among the Printers for a reduction of hours. The proposition for the shortening of the working day submitted in that year to the session of the International differed in two particulars from those hitherto considered. In the first place, the hours were to be reduced to nine and not to eight. Secondly, the demand for the reduction in working hours was to be made by the Printers acting alone and not as a part of a general movement. The union had lost faith in the efficacy of general movements to shorten immediately and greatly the working day. The executive council was instructed to request the local unions to consider "the question of a reduction of hours to nine"; and at the session of 1887 it was determined that local unions with sixty members or more should demand the nine-hour day on November 1, 1887, in all book and job offices. The local unions were also advised, but not ordered, to reduce the hours of composition on daily newspapers to six, but the real issue was in the book and job offices where the number of time workers was large. No provision was made for financing possible strikes. The International still retained from the period of the "general movement" a naïve confidence in the efficacy of fixing a date.

As the first of November approached and it became certain that the introduction of the nine-hour day would

be contested by the employers, the president of the International grew uneasy concerning the outcome, and in October called a meeting of a number of representative members at Cincinnati. Acting under the advice of this informal convention, the president released the local unions from any obligation to demand the nine-hour day. The executive council attempted to secure an agreement with the national association of employing book and job printers, known as the United Typothetae, for the gradual introduction of the nine-hour day, but was unsuccessful.¹⁰ A few local unions, notably those at Louisville, Chicago, and St. Louis, struck for the nine-hour day on November 1, but all failed to accomplish their purpose;¹¹ and the movement for the reduction of hours died out for some years.

In 1890 the International executive council, noting in some quarters a revival of interest in the shorter work-day, asked the session for instructions as to whether local unions should be financially supported in strikes for the nine-hour day, and was ordered to confer with the officers of the American Federation of Labor as to the possibility of securing aid.¹² The help of the Federation could not be obtained at the time, for the Miners had already been promised aid.¹³ Nevertheless, the agitation for a shorter working day was carried on vigorously. A committee appointed at the session in 1890 urged the local unions to "prepare for the successful carrying out of the movement in favor of shorter hours;" and a year later, on October 1, 1891, the International submitted to the membership a proposition for the introduction of the nine-

¹⁰ Proceedings, 1888, p. 12. For an account of these and later negotiations with the Typothetae, see below, pp. 335 *et seq.*

¹¹ *The Craftsman*, November and December, 1887.

¹² Proceedings, 1890, pp. 12, 144.

¹³ *Ibid.*, 1891, pp. 14, 18.

hour day. Although 9340 votes were cast for the proposition and only 3556 against, President Prescott declared the proposition lost. He held that a three-fourths majority was necessary to ratify, since the adoption of the proposition would undoubtedly have involved strikes, and under the rules of the International no strike could be authorized except by a three-fourths majority.

The large amount of unemployment among printers from 1892 to 1896 greatly stimulated the movement for shorter hours. The linotype was rapidly displacing hand compositors in the newspaper offices; and the depression in business intensified the distress. Under these circumstances the shortening of the working day as a means of absorbing the unemployed appeared more than ordinarily desirable.¹⁴ With the introduction of the linotype, however, the movement which had been heretofore directed almost solely to the shortening of the day in the book and job offices assumed for a time most importance in the newspaper offices.

The introduction of the machine offered a highly favorable opportunity for the union to introduce the eight-hour day in daily newspaper offices. Allowing for time spent in distributing, the newspaper compositors had usually worked for ten hours, but the time spent in setting type had rarely exceeded seven hours. Since the machine did away with the necessity of distributing, the introduction of an eight-hour day for machine operators caused no disturbance in the organization of the office. Composition still went on for about the same length of time as formerly. Moreover, since the machines were worked on

¹⁴ The proposition submitted to the membership in 1893 contained this statement: "The surplus labor which is on the market is getting much larger year after year, thereby making a pressing demand for situations, which has a tendency to decrease the wages of our members."

a time scale, the introduction of the eight-hour day was not a reduction from an existing working day, but a part of an entirely new arrangement between the union and the publishers. It therefore caused less friction than would otherwise have been the case. Finally, and most important of all, newspaper publishers wish to have in their offices during the last few hours before the paper goes to press the largest possible force. In the composing room of a daily newspaper it is true in a peculiar sense that the usefulness of a workman is not reduced proportionately with a decrease in the length of the working day.

The reduction of hours in the newspaper offices has been chiefly brought about by the activity of the union in utilizing the situation created by the introduction of the linotype. As early as 1891, when the number of machines in use was very small, the International recommended "that the hours of labor upon machines be reduced to the lowest possible number, eight hours being the maximum."¹⁵ The local unions were able generally to follow this recommendation and to secure the eight-hour day for machine operators; but in many of the newspaper offices the other employees in the composing room—"ad. men", proof readers, and "floormen"¹⁶—still worked for nine or even ten hours. The local unions set themselves for some years the task of reducing the working hours of these employees.

The general direction and effect of the movement for the reduction in hours on daily newspapers can be best understood from a consideration of the hours worked by the various classes of employees at a date some years after the introduction of the linotype. The following

¹⁵ Proceedings, 1891, p. 196.

¹⁶ Under the term "floormen" are included bankmen, correctors of matter, proof-press operators, and make-up men.

table, compiled from the reports made by local unions to the secretary of the International, shows the length of the working week on machine-using daily newspapers, according to scales in force March 17, 1904:

Number of hours constituting a week's work.	MORNING PAPERS			EVENING PAPERS		
	Machine operators	Proof readers	"Floor-men" and "Ad. men"	Machine operators	Proof-readers	"Floor-men" and "Ad. men"
Unions reporting less than 48 hours	56	20	27	35	13	18
Unions reporting 48 hours	284	69	175	323	72	150
Unions reporting more than 48 and less than 54 hours	19	9	39	45	11	63
Unions reporting 54 hours	49	14	115	124	21	212
Unions reporting more than 54 hours	1	1	3	2	0	3

It will be noted, in the first place, that practically none of the employees worked more than nine hours. Secondly, although about 80 per cent of the local unions provided for a working week of forty-eight hours or less for machine operators and proof readers on morning papers, only about two-thirds of the unions provided for a working week of forty-eight hours or less for the same classes of workmen on evening newspapers. The greater number of unions permitting their members to work more than forty-eight hours on evening papers was due chiefly to the fact that evening newspapers are the only daily newspapers in many small cities, and in the smaller places it is more difficult to reduce the hours of work. Thirdly, the other employees in the composing rooms of both morning and evening newspapers worked in many unions somewhat longer than the machine operators. To take the most unfavorable case, considerably less than one-half of the local unions had obtained the eight-hour day

for "floormen" and "ad. men" employed on evening newspapers. These reductions were brought about piecemeal and almost entirely without resort to strikes.

The history of the shortening of the working day in the book and job branch of the trade has been quite different. The introduction of machines did not facilitate in these offices the reduction of the hours of work. A low cost of production is the essential element in the success of a book and job office; and the product of the last hour, if the quantity is the same, is worth as much to the office as the product of any other hour. The shortening of the working day in the book and job offices has consequently required a far greater amount of effort than in the newspaper offices.

Agitation for the nine-hour day was carried on constantly from 1892 to 1897. The officers of the International steadily maintained that any International demand for the shortening of hours in the book and job offices would be futile unless an adequate fund for the support of striking unions was raised in advance. The membership, although willing at almost any time to vote for the establishment of the nine-hour day on a specified date, showed itself reluctant to vote an assessment. In 1894 a proposition for assessing the members one per cent of their earnings for the accumulation of a fund "to be used for the purpose of inaugurating a shorter work-day in the book and job trade" was rejected by a vote of 5859 to 2341.¹⁷ The refusal of the membership to vote an assessment led the International in 1896 to appoint a committee, known as the shorter work-day committee, to arouse the interest of the members in the subject. This committee was given power ultimately to fix a date for the establishment of the nine-hour day. The committee

¹⁷ Proceedings, 1894, pp. 36, 37; *Ibid.*, 1896, p. 11.

hoped by an energetic campaign to secure from the membership sanction for an International assessment, and circulars of information and exhortation were sent to the officers of local unions. In November, 1897, a proposition to levy for five months an assessment of one per cent on wages was submitted to vote. The membership again showed its sturdy disinclination to taxation, and the proposition was defeated.¹⁸

A series of events which occurred at this time, however, encouraged the shorter work-day committee to continue its efforts. In December, 1897, the New York local union obtained an agreement under which the working day in book and job offices was reduced to nine and one-half hours. The employers also agreed to grant the nine-hour day whenever the International was ready to enforce it generally.¹⁹ On the first of May, 1898, the Boston Master Printers' Club reduced the hours of labor of their employees from 59 to 56.²⁰ A considerable number of other local unions obtained the nine-hour day about the same time without serious friction. The shorter work-day committee now urged each local union to raise a fund for the establishment of the nine-hour day, and in August, 1898, announced that it had fixed a date, as yet secret, for the general introduction of the shorter work-day.

The necessity of a strike was averted by the conclusion at Syracuse, N. Y., in September, 1898, of an agreement with the United Typothetae under which the fifty-seven hour week was to go into effect on November 21, 1898, and the fifty-four hour week one year later. The local unions found in most cases no difficulty, even in cities where there were no branches of the Typothetae, in en-

¹⁸ *Typographical Journal*, Vol. 12, p. 101.

¹⁹ Proceedings of the United Typothetae, 1898, p. 19.

²⁰ *Ibid.*, 1898, p. 23.

forcing the shorter work-day. On May 3, 1897, when the shorter work-day committee began its activities, 56 local unions, with 17 per cent of the total membership of the union, had secured the nine-hour day. Between May 7, 1897, and the conclusion of the Syracuse agreement, 39 other local unions secured a reduction in working hours. These 95 local unions had about one-half the total membership of the union. On November 21, 1898, or shortly thereafter, 139 additional local unions with 40 per cent of the membership secured the acceptance by the employers of the Syracuse agreement. Only 83 unions, with about 10 per cent of the membership, for one reason or another, were unable to secure the nine-hour day on November 21, 1898; and these were nearly all small unions. The only large unions which were unable to shorten hours on that date were those at Pittsburg and San Francisco.²¹ Within a year thereafter nearly all of the unions had obtained the nine-hour day.²² This result was secured almost entirely without resort to strikes.

The nine-hour day had hardly been well established throughout the union before discussion began as to the advisability of attempting a further reduction in the working day; and by 1902 the agitation had gone so far that the establishment of the eight-hour day in the near future had become a recognized part of the union's policy. As a preliminary to an International movement,

²¹ Proceedings, 1899, p. 120.

²² In February, 1901, the secretary of the International, in reviewing the reports from the local unions, said: "The nine-hour day is in vogue in practically all book and job offices, the exceptions being towns where existing contracts prevent the enforcement of the law, or the unions have been recently organized. So general is the observance of the shorter work-day that these exceptions are of but passing importance" (Supplement to *Typographical Journal*, Vol. 18, no. 11, p. 1).

the session held in that year ordered the local unions not to enter into contracts extending beyond October 1, 1905, unless provision was made therein for the introduction of the eight-hour day on that date.²³ A year later, in 1903, the session instructed the local unions to make an effort, on January 1, 1905, to obtain the eight-hour day.²⁴ After an unsuccessful attempt to secure an agreement with the United Typothetae for the introduction of the eight-hour day, the session of the International held in 1904 submitted to the membership a proposition that the eight-hour day should "become effective in all union establishments on January 1, 1906." For the support of strikes, an assessment was to be levied in advance upon the wages of the members.

Grave doubts as to the passage of the proposition were entertained. In the period from 1891 to 1897 the membership had on three occasions refused to vote similar assessments for the nine-hour movement. It was feared, particularly, that the members already working an eight-hour day—over one-half of all—would vote against the assessment. Far the greater part of these were in the newspaper branch of the trade, and had no fear that the failure of the eight-hour in the book and job offices would endanger their own short work-day. The unions which had already secured the eight-hour day in the book and job offices, about one-sixth of the total number, were urged to vote for the assessment on the ground that they would be unable to maintain their position unless the eight-hour day was established generally.²⁵ The

²³ Proceedings, 1902, p. 145.

²⁴ *Ibid.*, 1903, p. 171. The only unions of any considerable size which had been successful in securing the eight-hour day for all their members were in the Rocky Mountain and Pacific States.

²⁵ While the vote was pending, El Paso union, which had maintained the eight-hour day for some time, became involved in a strike

fears of its advocates were proved by the result to have been groundless, and the proposition was carried by an overwhelming majority. The unions which already had the eight-hour day gave heavy majorities in favor of the proposition; and there was no indication in the returns that the members employed on newspapers were less favorable to the plan than those in the book and job offices. The vote showed clearly an increasing solidarity of feeling within the union as well as a growing belief in the possibility of shortening the working day by a well financed International movement.

The proposed introduction of the eight-hour day, while affecting only slightly the newspaper branch of the trade, involved a change in the hours of labor in almost all book and job offices. According to the returns made to the union officials on November 17, 1904, in only 79 local unions were all the members working an eight-hour day. These were chiefly German-American and Western unions. In all the great printing centers of the country the nine-hour day remained the established working day in the book and job offices. According to an estimate issued in 1904 by the Typothetae, the local unions which had already obtained the eight-hour day in the book and job branch had a membership of only about one-ninth of the total membership of the union.²⁶

The officials of the International began immediately to prepare for the struggle now imminent. The American Federation of Labor at its session held in San Francisco in November, 1904, instructed its officials to levy an assessment if necessary in aid of the Printers; and on January 1, 1905, the officers of the local unions began the January against the demand of the employers for a return to the nine-hour day (*Typographical Journal*, Vol. 25, p. 406).

²⁶ *Official Circular*, No. 9, September, 1904, United Typothetae of America.

collection of the assessment already ordered by the International. Fruitless attempts were again made to secure an agreement with the Typothetae. In September, 1905, strikes occurred in several printing offices in Chicago; and the local unions throughout the country that were not bound by contract were instructed by the International officers to demand immediately from the employers signed agreements to grant the eight-hour day on January 1, 1906. The strike that followed was the only strike involving at the same time local unions in all parts of its jurisdiction in which the International has been engaged.²⁷

The strike established the eight-hour day in all union printing offices, but the union lost control of a large number of offices. In the fiscal year 1904-1905 the average paying membership was 46,734; in the year 1906-1907 it was 42,357. In a time of great industrial activity the union thus lost in two years over 4000 members. A considerable part of this loss was due to the surrender of charters by the smaller unions. From May 31, 1905, to May 31, 1907, 200 local unions with 2153 members gave up their charters or were suspended for non-payment of dues. Many of the large printing offices in the larger cities became non-union. In most of these offices, however, the eight-hour day has since been introduced.

The distinctive characteristic of regulations aimed at reducing the length of the working day, as against those which aim merely at fixing a standard working day, is the requirement in the former case of a considerably higher rate for overtime than for "time." The ordinary rate for overtime among the Printers is one and

²⁷ See for an estimate of the cost, p. 80.

one-half times the ordinary rate, but the International has never prescribed an overtime rate. A local union may, therefore, evade the real purpose of the eight-hour rule by allowing overtime to be worked at the same rate as "time." During the negotiations for the eight-hour day some unions took this course. Thus the Vicksburg (Miss.) union signed in December, 1905, an agreement which provided for the eight-hour day in book and job offices. The union secured the same rate of pay for the forty-eight hour week that it had received for the fifty-four hour week²⁸ and permitted the employers to work one hour of overtime daily at the regular rate. The St. Louis local union, at the introduction of the eight-hour day, charged an advance of less than one-tenth for the first hour of overtime.²⁹ Such slight overtime rates are, of course, no guarantee of a shorter working day; and as the eight-hour day has been more fully established, the local unions have increased their overtime rates.

On account of trade conditions, it is impossible in many printing offices, particularly the smaller ones, to get rid entirely of overtime work. The customers of the offices expect to have work executed within short periods, and the fluctuations in the amount of work are very great. In order to accommodate customers, printing offices which make a specialty of job work ordinarily wish to keep their workmen at hand while other business establishments are open. Partly because of this relation of the work of the printing office to business in general, and partly because of the desire of workmen to arrange their hours in such a way as to secure a half-holiday on Saturdays, the International has never required a nine-hour or eight-hour working day, but has always put its

²⁸ Proceedings of the United Typothetae, 1906, p. 7.

²⁹ *Typographical Journal*, Vol. 30, p. 271.

regulations of working hours in the form of a weekly limitation. Thus, the so-called nine-hour rule was a restriction of working hours to fifty-four a week; and the eight-hour rule reads: "Not more than forty-eight hours shall constitute a week's work." The greater part of the book and job offices work nine hours each day except Saturday and on Saturday four hours.³⁰ The aim of the union is to reduce the hours worked and not to get extra pay. A primary purpose in shortening the working hours is "to give employment to a greater number of men",³¹ and the union is consequently opposed to overtime work. Although it cannot abolish such work entirely, it aims to make overtime as undesirable to employers as trade conditions will permit.

³⁰ An employer is not allowed, however, to vary the number of hours from day to day. If his schedule is arranged so that eight and three-quarters hours are worked on other days than Saturday, and he keeps his force nine and one-half hours on one of these days, he must pay the men in addition to their regular wages a sum charged at the overtime rate, and he cannot average up the working time by cutting off three-quarters of an hour on some other day of the week.

³¹ *Typographical Journal*, Vol. 29, p. 613. This aim is clearly exemplified in the rules requiring the distribution of overtime. See below, pp. 221-224.

CHAPTER X

APPRENTICESHIP

Most of the questions that have engaged the attention of the Printers have excited keen interest for only a brief time; for, after a period of discussion, a more or less satisfactory policy has been determined upon. The regulation of apprenticeship, on the contrary, has been of constant interest to the craft from the organization of the Philadelphia society in 1802 to the present time. This has been chiefly due to the shifting character of the problem.

When the early organizations of journeymen printers were formed, the system of indentured apprenticeship was essentially unimpaired. The early societies were in favor of the maintenance of that system, and their apprenticeship policy was directed entirely to that end. They were therefore strongly opposed to the employment of runaway apprentices, or of grown men who had not gone through an apprenticeship. The important difficulty was with runaway apprentices,¹ and the printers were perhaps

¹ Entirely untrained workmen could not be employed profitably in printing offices except as pressmen. Two men worked at the press, and one of these need not be a skilled workman. In the "Circular Concerning Half-way Journeymen", issued by the New York society on July 13, 1811, it was said: "We would also beg leave to call your attention to a practice as illiberal and unjust as the former and attended perhaps with evils of a more aggravating nature. We mean that of taking full grown men (foreigners) as apprentices to some twelve or fifteen months when they are to be *turned* into the situations of men who are masters of their business, which men are to be *turned out* of their places by miserable botches, because they will work *for what they can get*." The societies both in New York and Philadelphia were constantly exercised over the intrusion of such persons.

more concerned with this evasion of the apprenticeship system than the workmen in any of the other skilled trades. One part of the printing trade—the setting of “straight” matter by hand—is easily acquired, and until the introduction of the linotype a very large part of the work of printers was of this kind. There were two consequences. Masters were tempted to take on boys in numbers far more than sufficient to recruit the trade, and many of these boys, as soon as they became proficient in setting “straight” matter, ran away to seek employment as wage earners.

The problem which the Printers thus faced presented itself, therefore, under two aspects,—the excessive number of learners and the direct competition of runaway apprentices. The early societies never considered seriously the possibility of striking directly at the difficulty by restricting the number of apprentices.² The maintenance of the apprenticeship system was a policy more in accord with the spirit of the times; and, if it could have been enforced, it might about as effectually have reached the same end. If a master’s apprentice left him, he took another. If apprentices could have been forced to remain with their masters for the whole period of apprenticeship, as according to their indentures they were bound to do, the flow into the trade would have been materially checked. Moreover, the depressing influence on wages

² On June 28, 1803, a letter from the Baltimore Typographical Society was read to the Philadelphia society, “requesting a concurrence in a resolution adopted by said society for drafting an Address to Parents and Guardians to prevent their placing so many boys as apprentices to the printing business.” The directors of the Philadelphia society decided that it would be “improper to give their assent or approbation” to such a resolution. On March 30, 1816, a committee of vigilance appointed by the New York society “was ordered to draft a pathetic address on the state of the business in which they shall persuade guardians and parents not to put their children to it.”

exerted by the runaways, forced as they were by circumstances to work below the ordinary rate, would have been removed.

In both the New York and Philadelphia societies, the subject was frequently discussed. On May 16, 1807, a committee of the Philadelphia society, appointed to "inquire into the present state of the art and into the nature of some irregular practices", reported that the prevailing low prices for work were due partly to "the immense number of printing shops about the town, the proprietors of which, having generally a swarm of boys, will for the sake of keeping them employed engage themselves to do work for almost one-third less than what is now paid by booksellers and publishers." The New York society on October 26, 1810, appointed a committee to inquire "respecting apprentices and half-way journeymen." This committee reported that there was a considerable number of persons "working at the printing business in the capacity of journeymen" but "not considered as such by this society." In all cases, these "half-way journeymen" were receiving less than the society rate. The directors of the society appointed a committee to draw up a "circular letter to the master printers respecting half-way journeymen."³ For some reason the board rescinded its action at its next meeting; but on June 15, 1811, another committee was appointed to "draft a circular to the master printers on the subject of such persons as are generally denominated half-way journeymen."

The address set forth in vigorous terms the objections of the journeymen to the employment for wages of persons who had not finished their terms of apprenticeship: "The practice of employing what is termed half-way

³ MS. Minutes of the New York Typographical Society, December 22, 1810.

journeymen in preference to those who have served their time, while it holds out encouragement to boys to elope from their masters as soon as they acquire a sufficient knowledge of the art to be enabled to earn their bread, is a great grievance to journeymen and almost certain ruin to the boys themselves . . . It is an incontrovertible fact that nearly one-half who learn the trade are obliged to relinquish it and follow some other calling for support. Under the direct influence of these unwarranted practices, the professors of the noblest art with which this earth is blest have become *birds of passage* seeking a livelihood from Georgia to Maine." Although both societies thus deplored any evasion of the apprenticeship system, neither developed any effective method of preventing infringements.⁴

The apprenticeship policy of the societies organized from 1830 to 1835 was identical with that of their predecessors; but the later societies devised a workable method of enforcement. By 1839 the plan of refusing to work with "two-thirders"—as "half-way journeymen" were now called⁵—had been generally adopted. In

⁴See below, p. 283. A committee, appointed by the board of directors of the New York society to "propose a method to discourage the practice of master-printers employing what are termed half-way journeymen to the great detriment of the profession", after deploring in its report the fact that employers engaged "half-way journeymen or rather boys", added: "We, however, presume that nothing premature in this case especially will be done and that it will be laid over for consideration of the proposed committee of vigilance."

⁵The term "two-thirder" is first used in the official publications of the unions in the "Introductory Remarks" to the Constitution and By-Laws of the Typographical Association of New York (New York, 1833), where it is said: "Another cause of depression was the practice, which then prevailed and has continued more or less to the present time, of employing runaway or dismissed apprentices for a small compensation. These were called two-thirds men and have always proved a great pest to the profession." Such half-taught

a letter written in that year to a correspondent in Mississippi, the secretary of the Columbia society said: "In Philadelphia, men are not considered rats if they get the prices exacted by the tariff although at work in the same shop where the two-thirders abound."⁶

In 1834-1836 the apprenticeship question was brought into prominence among the Printers by the controversy between General Duff Green and the Columbia society. General Green was at the time the owner of several publications as well as printer to the United States Senate, and conceived the idea of founding a school for training journeymen printers. Assuming the expense of supporting a boy to be \$4 per week, General Green calculated that the profit on each boy would be \$2 per week for the first two years and above that for the remainder of the term. This profit was to be applied partly to paying teachers and partly to giving the boys a sum of money when of age. General Green was already publishing the *United States Telegraph*, the *Metropolitan*, and the *Medical Register*, and he proposed with the aid of his students to issue also journals of law, of religion, of agriculture, and of mechanic arts. A hundred and fifty boys were thus to be employed.⁷

The announcement of this plan, chimerical as it was, stirred the Columbia society to activity. A correspondence was entered into with General Green, who denied that the society had any right to regulate the number of apprentices he might take. The committee in charge of the correspondence, on its part, denied that they proposed any such regulation, but maintained that the society had apprentices were customarily paid two-thirds of regular journeyman's wage; hence, the term.

⁶ Letter book of the Columbia Typographical Society [MS.].

⁷ The prospectus is reprinted in the *Printers' Circular*, Vol. 4, p. 284.

an interest in preventing the consummation of his plan.⁸ The society printed and circulated a protest against the establishment of the institute. An extensive correspondence was carried on with the other typographical societies, and a public meeting of the printers of Washington, irrespective of membership in the society, was held. The plan for an institute was finally abandoned.

During this controversy, the advisability of establishing some limitation on the number of apprentices came, apparently, for the first time under discussion. At the very outbreak of the trouble, a member of the Columbia society proposed the following resolution: "Resolved, that it is the opinion of this society that the practice which has lately come into vogue of employing an undue number of apprentices is destructive of the rights and interests of journeymen and detrimental to the employing printers."⁹ The society was unwilling, however, to adopt a rule limiting the number of apprentices. At the mass meeting of printers held in August, 1834, the Columbia society was urged "to regulate the number of apprentices to be taken to the printing business in the several offices in the District of Columbia."¹⁰ A committee appointed at the November, 1834, meeting of the society to consider the subject reported against such a course.¹¹ They said: "A

⁸ *Printers' Circular*, Vol. 5, p. 285; MS. Minutes of the Columbia Typographical Society. The chief argument of the committee was a claim of proprietary right in the trade. They said: "We are a body of printers—journeymen printers. Having served years to obtain a knowledge of the business, we now pursue that business to obtain a livelihood. It is a thing of property or—which answers the main purposes of property—it yields us a support for ourselves and our families."

⁹ MS. Minutes of the Columbia Typographical Society: *Printers' Circular*, Vol. 4, p. 283.

¹⁰ *Printers' Circular*, Vol. 4, p. 325.

¹¹ In the "Protest" issued in August, 1834, great stress was laid on the fact that the society had never attempted to enforce any trade

mode directly limiting the *number* of apprentices in our printing office was thought to be on examination so liable to injustice and abuse between the larger and smaller offices—so difficult in its maintenance, on account of the anticipated objections on the part of employers—so embarrassing in its adjustment, on account of the constant fluctuations of the business—that the committee unanimously determined to abandon it.”

The committee recommended, in preference, a plan which Mr. Peter Force, a large employer, had suggested. This plan, which was adopted, provided that all apprentices should be bound to their employers and should serve until twenty-one years of age; that apprentices should not be more than fifteen years old at the time of entering upon their apprenticeship; that no runaway apprentice should be received in any printing office; and, finally, that after a certain date no journeyman should be employed who could not produce evidence that he had served an apprenticeship according to the “regulations laid down for apprentices in the city or place in which he may have served his time.”¹² The regulations thus adopted were an advance in that the employers at any rate tacitly accepted them; but they represented no new departure in policy. The Columbia society in 1834 was as firmly of the opinion as the New York society had been in 1811 that the interest of the trade would be best served by maintaining unimpaired the system of legal apprenticeship.

The National Typographical Convention of 1836, called as one of the results of the struggle with General regulation except that its members should not work below the scale (MS. Minutes of the Columbia Typographical Society; *Printers' Circular*, Vol. 4, p. 285).

¹² See Appendix 6, “Apprentices to the Printing Business” (Washington, D. C., 1835).

Green, naturally gave considerable attention to the apprenticeship question. The regulations then in force in Washington were adopted as National rules. They were to be binding, however, only on such local societies as adopted them.¹³ It was hoped to secure the adoption of identical regulations by all the local societies and thus to prevent the movement of apprentices from one city to another. The Columbia society made the National apprenticeship regulations a part of its constitution, but, as far as can be gathered from their constitutions, none of the other societies gave the slightest attention to the directions of the National Society. Even in Washington, after a little while, the apprenticeship rules were by no means strictly enforced, for a committee of the Columbia society found in 1842 that, of the apprentices taken since the adoption of the regulations, in only three cases had the rules been complied with.

The plan of limiting the number of apprentices must have been much discussed during this period; but, as far as can be ascertained, it was not adopted by any of the societies until 1847, when the Baltimore society adopted a rule limiting the number of apprentices in the ratio of one apprentice to three journeymen. At the Convention of Journeymen Printers held in 1850, a Baltimore delegate urged the desirability of "recommending to the trade throughout the country the principle now in successful operation in Baltimore city." A delegate, in opposing the motion, declared that he was "not opposed to the principle but to the expediency of its being publicly proclaimed by a national convention. That was the only question before the convention. All agreed as to its utility and justice; the only question was as to its expedi-

¹³ Proceedings of the National Typographical Convention, Washington, 1836.

ency." The convention finally agreed to recommend to the various unions throughout the country that they limit the number of apprentices.¹⁴ At the Second National Convention, in 1851, a determined minority pressed for a declaration that the limitation of the number of apprentices was of the highest importance; but the majority decided that it was inexpedient at that time to take further action.¹⁵ The local unions, however, generally adopted rules limiting the number of apprentices.

In adopting the policy of limitation, the unions did not abandon their old design of excluding "two-thirders" from the trade. They were as solicitous as before that an apprentice should remain with his master until the completion of his term of service. But this method of dealing with the problem was proving constantly more unworkable. As long as apprentices were bound, it was easy to distinguish an apprentice from a "half-way journeyman"; but with the breaking down of the custom of indenturing, a master might take on any number of "two-thirders" and assert that they were apprentices. The "two-thirder" affected seriously the enforcement of the standard rate, for men were frequently rated as "two-thirders" after they had been at the trade many years. These changes were responsible for the introduction of the policy of limitation, which since about 1860 has been the one part of the union's apprenticeship policy that has

¹⁴ Proceedings of the National Convention of Journeymen Printers of the United States (Philadelphia, 1851), pp. 10-11. In the address to the printers of the United States issued by the convention, one of the recommendations made to the local unions was: "The enforcement of the principle of limiting the number of apprentices, by which measure a too rapid increase in the number of workmen, too little care in the selection of boys for the business, and the employment of herds of half-men at half wages to the detriment of good workmen, will be effectually prevented."

¹⁵ Proceedings of the Second National Convention of Journeymen Printers of the United States (New York, 1851), pp. 13-15.

never varied. In 1862 the National Union "enjoined upon each union to make regulations limiting the number of apprentices to be employed in each office to one for such number of journeymen as may seem just."¹⁶ The rule appears in identical words in the "general laws" of 1908.

Although the union has for fifty years been consistently of the opinion that the limitation of the number of apprentices is a proper and wise policy, the International has always refused to recommend to the local unions that they should adopt any particular ratio of apprentices to journeymen.¹⁷ The result is that the forms of limitation enforced by the local unions are bewildering in their variety. Certain general characteristics can, however, be noted:

(a) The ratio in about three-fourths of the local unions is one to five.¹⁸ The limitation was not originally so severe, being usually one to three or one to four; but during the twenty years following the Civil War, the ratio of one to five appears to have become general. The rules in the larger cities are usually more restrictive than in the smaller places. Thus the ratio in Chicago is one to six, and in New York, one to eight. The highest ratio in 1907, found in a few small towns, was one to three.

(b) The ratio is not ordinarily uniform for all the offices in each city, but is modified so as to allow small offices to have a greater proportion of apprentices to journeymen than large ones. This is accomplished in two ways. Either the offices which employ less than a speci-

¹⁶ Proceedings, 1862, p. 23.

¹⁷ *Ibid.*, 1866, p. 43; *Ibid.*, 1881, p. 30.

¹⁸ The typographical unions have never recognized the right of an employer or journeyman to teach his son the trade in addition to the number of apprentices allowed to the office. The ratio includes all apprentices (President's letter book [MS.], Vol. 47, p. 188).

fied number of journeymen are explicitly allowed a larger ratio, or a maximum is placed on the number of apprentices which any office may have. The former of these modifications is found in practically all the unions;¹⁹ whereas the second is less general, but obtains in nearly all the larger cities. A few unions carry the policy of favoring small offices so far as to disregard entirely the number of workmen and allow every office the same number of apprentices. Thus the Baltimore union has, for many years, provided that every book and job office, irrespective of the number of journeymen employed, shall be entitled to have four apprentices. This form of limitation was much more frequent formerly than at present, and many of the older constitutions contain similar rules. The Mobile union, for instance, in 1879 allowed each job office two apprentices and each newspaper office one.

(c) In the larger cities there has been for many years a strong movement to do away entirely with apprentices in newspaper offices. As early as 1839 the New Orleans society forbade the employment of apprentices in morning newspaper offices. The National Convention of 1850 declared in favor of the same policy. In 1886 the International Union prohibited the subordinate unions from recognizing after January 1, 1887, apprentices on morning newspapers unless indentured. The ground for this action was stated to be that the compositors on morning newspapers, since they were piece workers, could not be expected to instruct apprentices. The rule was entirely neglected by the local unions,²⁰ and in 1894 a similar rule was enacted and January 1, 1895, was set as the date for its enforcement.²¹ The new rule had no more

¹⁹ For example, one apprentice is usually allowed every office no matter how small.

²⁰ Proceedings, 1886, p. 74; *Ibid.*, 1887, p. 21.

²¹ *Ibid.*, 1894, p. 34.

effect than its predecessor and was somewhat later repealed. In only a few cities, notably New Orleans and Philadelphia, are apprentices prohibited in daily newspaper offices; but in nearly all the larger cities the number is limited far below that allowed in book and job offices employing the same number of journeymen. The St. Louis rule of 1904 is fairly typical: one apprentice is allowed in newspaper offices for each ten journeymen, and no newspaper office can have more than four apprentices, yet the ratio in book and job offices is one to five. In Denver a newspaper is allowed one apprentice for five or less journeymen, but no newspaper may have more than two apprentices. The Baltimore union, which, as has been noted, permits every book and job office four apprentices, allows one apprentice to each daily newspaper employing fifteen journeymen or fewer, and one for each additional fifteen journeymen, exclusive of foremen and proof readers.

The almost entire freedom of the small union offices to take on apprentices, and the vast number of offices in unorganized towns with as many apprentices as they see fit to take on, make the union's rules almost worthless as a means of lessening the number of persons entering the trade.²² The chief effect of the rules arises from the differences in the ratios among different classes of offices. In discriminating between large and small offices, the unions have very largely followed the lines of least resistance. The large offices, or most of them, cannot

²² A very considerable element in the union believes that the rules do limit the number of journeymen and thus raise wages. The writer of an article in a recent number of the *Typographical Journal* says: "Then again, from the stand-point of self-preservation, the law of supply and demand must regulate the apprenticeship question, for if more than enough journeymen to supply the demand are turned out year after year, what is to become of the men who teach them their business" (*Typographical Journal*, Vol. 25, p. 130).

profitably use many apprentices, and have not resisted so strongly the union's efforts to limit their number. Nevertheless, the discrimination in the union's ratio undoubtedly has a considerable effect in determining from what offices the journeymen shall be chiefly recruited, and it is partly as a result of these rules that the great mass of apprentices are learning the trade in non-union offices and in union offices that employ less than five printers. The union offices that employ from five to thirty workmen train only a small number of journeymen, and the great newspaper offices, scarcely any.

The wisdom of these rules turns on the question as to whether, from the viewpoint of the union, the small office in the city, the non-union office, and the country office are the best places from which to recruit the trade. The newspaper offices are for various reasons the stronghold of the union. From one-half to two-thirds of the membership are engaged in establishments in which the number of apprentices is ludicrously out of proportion to the needs of the trade. The constant replenishing of the large office from the small office or the non-union office means that the union must be incessantly engaged in training into the principles of unionism successive bands of recruits.²³

But another aspect of the question has always presented itself forcibly to the Printers. The larger the office, the greater is the specialization; and where work is highly subdivided, apprentices ordinarily receive instruction in only part of the trade. The introduction of machines has greatly intensified the opposition of the Printers to the employment of apprentices in large offices and especially

²³ Mr. and Mrs. Webb have criticized on this ground the policy of the English typographical unions, which is practically identical with that of the American unions (Sidney and Beatrice Webb, "Industrial Democracy," p. 467).

in newspaper offices. President Lynch, in his address to the session of the International in 1900, said: "Another printer factory abomination at the present time is the machine office. What opportunity is there to teach a boy the trade in one of those hives of concentrated hurry and rush . . . I repeat, the machine office is no place for an apprentice."²⁴ In accordance with this suggestion, the committee on apprentices recommended the enactment of an International rule forbidding machine newspaper offices to have more than one apprentice. The convention, however, rejected the suggestion; and the local unions still have full power to fix the number of apprentices.

Although the union since 1850 has depended for the regulation of apprenticeship on the limitation of the number of apprentices, it has always shown a strong liking for the old system of indenturing or binding the apprentice. The first session of the National Union requested employers to have their apprentices indentured for not less than five years, and in 1869 the National Union recommended the "introduction and enforcement as far as may be practicable of the indentured apprentice system."²⁵ This recommendation had little or no effect, and indentures became steadily more infrequent. It was occasionally suggested that by alliances with other unions legislation might be secured requiring employers to indenture all learners.²⁶ One of the results hoped for from

²⁴ Proceedings, 1901, pp. 11, 150, 155.

²⁵ *Ibid.*, 1869, p. 32; *Printers' Circular*, Vol. 1, pp. 97, 116. Since 1882 the following recommendation has been contained in the International rules: "The indenturing of apprentices is considered the best means calculated to give that efficiency which printers should possess, and also to give the necessary guarantee to employers that some return will be made them for a proper effort to turn out competent workmen. Subordinate unions should, therefore, whenever practicable, endeavor to introduce the system of indenturing apprentices."

²⁶ Proceedings, 1877, p. 12.

the organization of the Federation of Trades and Labor Unions in 1881 was the enactment of such laws by the state legislatures;²⁷ but the Printers gradually came to realize that a system of legally compulsory apprenticeship was not in accord with the spirit of the times. The Typothetae is entirely in agreement with the union in favoring the indenturing of apprentices. At its first convention, held in 1887, a five-year indentured term of apprenticeship was recommended.²⁸ In 1894 an elaborate committee report presented a form of indenture and recommended its use.²⁹

The great merit claimed for the indenture is that it retains the boy in the same office during the whole period of his apprenticeship. The employer being certain that the boy will remain for a fixed period can better afford to see that he is well trained, since the profit on his work during the last part of his term will repay for foregoing some profit during the earlier part. On the other hand, when the boys are hired week by week, the employer can only keep his boys by paying them a relatively high rate of wages; and this he can afford to do only by assigning them to tasks quickly learned and keeping them steadily at such kinds of the work.³⁰ Despite the approval of the indenture system by both union and employers, no signs of its revival in printing offices are apparent. A small number of the best printing firms continue the use of the indenture, but the mass of employing printers have abandoned it.

The local unions always define in their rules the length of the period of apprenticeship. The requirement of a specified term has not been important among the Print-

²⁷ Proceedings, 1882, p. 15; *Printers' Circular*, Vol. 6, p. 302.

²⁸ Proceedings of the United Typothetae, 1887, p. 30.

²⁹ *Ibid.*, 1894, p. 32.

³⁰ *Ibid.*, 1894, pp. 32-83.

ers from the standpoint of the training of the apprentice, for only a few of the local unions have required apprentices to remain with the same employer throughout their terms.³¹ The length of the prescribed term has, however, an important bearing both on the limitation of the number of apprentices and on the enforcement of the standard rate. If an employer, for example, is allowed three apprentices, and the term is four years, in twenty years fifteen journeymen are turned out; but if the term is five years, only twelve. Some unionists have always argued for an increase in the length of the term in order to decrease the number entering the trade.³² On the other hand, ordinarily intelligent boys are able in four years to master the trade sufficiently to earn journeyman's pay. The result of making the term long is to make it possible for the apprentices to cut the rate in their last year, since the pay of apprentices is not governed by the rules of the union.³³ The conflict between these considerations has caused some vacillation in the union's policy, and the International has sometimes recommended four years and at other times five years as the proper length of the term.³⁴ The local unions ordinarily fix the term at four years.

The character of the instruction received by appren-

³¹ Since 1907, however, the International has forbidden apprentices to leave one office and enter another without the written consent of the first employer and the president of the local union (Proceedings, 1907, p. 248).

³² President McVicar, for example, in 1877 argued for a five-year term on the ground that it "would cut off at least 20 per cent of the increasing surplus of printers" (Proceedings, 1877, p. 13).

³³ If an apprentice has been working for more than the stipulated period, the local union requires that he shall either join the union and receive the standard rate or shall be discharged. If it appears that he is incompetent, the union frequently grants him an extension of time.

³⁴ Proceedings, 1878, p. 34; *Ibid.*, 1886, p. 73.

tices has not until recently been regulated by the union. In the last few years, however, since the development of extreme specialization in machine offices, many of the local unions, as well as the International, have enacted rules designed primarily to prevent the employment of apprentices exclusively at one part of the trade. In 1902 the session of the International recommended that subordinate unions should "make every effort possible to secure the proper training and instruction of apprentices"; and a year later the local unions were ordered to pass "laws defining the grade and classes of work apprentices must be taught from year to year."³⁵ In 1903 the International president proposed to the American Newspaper Publishers' Association that it should enter into an agreement concerning the training of apprentices with the International Union.³⁶ The chief provision of the proposed agreement was that apprentices should not be "confined exclusively to proving galleys, distribution, or any other work requiring comparatively little skill, for an undue length of time." They were to be allowed to assist journeymen on all classes of work as far as practicable, but not to operate typesetting machines until the last three months of their apprenticeship. No agreement having been concluded, in 1905 the International enacted rules requiring that apprentices in newspaper and magazine offices where typesetting and typesetting machines are in use must be employed during the last two years of their apprenticeship "on the case and at all the intricate handiwork of the craft."³⁷ Both the International and the local rules governing the instruction of apprentices are difficult to enforce on account of their necessarily

³⁵ Proceedings, 1902, p. 130; *Ibid.*, 1903, p. 136.

³⁶ *Ibid.*, 1903, p. 7; *Ibid.*, 1905, p. 214; *Ibid.*, 1907, p. 156.

³⁷ *Ibid.*, 1905, p. 211.

vague character.³⁸ The unions do, on occasion, protest to an employer that a boy is not being properly taught the trade; but they cannot, in the nature of things, enforce a curriculum for apprentices.

Despite the difficulties in the way, the union is likely to concern itself more and more in the future with the proper instruction of the apprentice. The mere number of apprentices can hardly be again a subject of serious concern to the Printers. The real cause of the multitude of apprentices in the compositor's trade was, as has been pointed out, that the greater part of the work of the trade—"straight" composition—could be performed with fair speed by boys and girls after a very short period of training. The increase in the number of large daily newspaper offices afforded the first relief in the situation. These offices, since they had relatively few apprentices, gave employment to many printers trained in the other offices. The introduction of typesetting machines has had an even greater influence. Introduced, first, in the large newspaper offices, where there were few apprentices, the machines are now used in many offices where formerly boys were employed in numbers as hand compositors on "straight" matter. In such offices the machine, manned by a journeyman, is gradually replacing boy labor.

This change in the situation is reflected in the official reports of the International officers. For many years, these reports consistently bewailed the large number of learners entering the trade. In 1878, for example, the president of the Union said: "The labor market can

³⁸ One of the local rules, quoted with approval by the president of the International, is as follows: "In order that apprentices may become efficient . . . apprentices must be allowed to help the journeyman on all classes of work where practical" (Proceedings, 1902, p. 16).

be quite easily supplied for the next fifteen or twenty years from towns and villages without one apprentice being turned out as a journeyman from any of the cities on the continent of America."³⁹ In 1881 the president said: "Boy labor, being its proper definition, has in so many instances ruined promising union offices, it is utterly impossible for union proprietors to compete with those in the trade who base their contract prices solely on juvenile labor."⁴⁰ Since 1890 the International officers have rarely complained that the number of apprentices is large. Certain local unions imbued with the idea that the restriction of the number of apprentices in union offices will increase the price for labor, still press at times for stronger limitations; but, in the main, the real problem is felt to be the securing of the proper training of the apprentice.

The interest of the union in securing a good training for apprentices is not merely a matter of sentiment; it has a direct connection with the union's most important trade regulation. As has been pointed out in a preceding chapter, a prime difficulty among the Printers in the use of the minimum rate as a bargaining device for time workers lies in the widely varying capacities of the workmen. If a considerable proportion of those in the trade are so poorly taught that they can only be employed at low wages, either the union must lower its minimum rate so as to make it possible for them to secure employment as unionists, or it must be content to see them become non-unionists. The half-taught journeyman, if in the union, is thus a drag on the minimum rate, and if out of the union, he menaces the maintenance of the rate.⁴¹

The difficulties in securing the proper training of ap-

³⁹ Proceedings, 1878, p. 29.

⁴⁰ *Ibid.*, 1881, p. 9.

⁴¹ In 1902 President Lynch said: "No trade the standard of qualification of which is low can hope to maintain fair wage standards.

prentices differ widely according to the kind of office in which the apprentice is learning the trade. In very small offices, the boy gets an all-round knowledge of the trade; but since the equipment and technique in such offices are not of high grade, he does not become highly skilled in any one branch. Before he can readily gain employment in the large machine offices, where wages are usually higher, he must acquire considerable skill in some one of the branches of the trade; for the large office, while it desires men with an all-round knowledge of the printing business, employs ordinarily only those who are also proficient in some one branch of the trade. On the other hand, the apprentice in the large machine office, especially in the large newspaper office, as has been already indicated, rarely obtains a knowledge of the trade as a whole. The basis of the printers' skill is a general knowledge of spelling, punctuation, etc., and of typesetting. It is practicable for an apprentice to obtain this equipment in a machine office by passing from a position as copy holder to setting "ads.," then to proof reading, and finally to the machine. But to put an apprentice through such a course is expensive to the office, for at each change he must learn his new work. The result is that he is frequently kept in one position throughout his term of apprenticeship.

Moreover, if the apprentice were kept steadily at some one of the great branches of the trade, for example, hand composition, proof reading, or even making up, the lack of all-round training would not be serious; but it happens not infrequently that the position in which the boy is placed is one which requires little skill. At the expiration of a term of apprenticeship spent in such a position, the boy is frequently turned adrift by the office and a new boy put in his place. He is unable to obtain at jour-

Indifferent workmen establish indifferent wage standards" (Proceedings, 1901, p. 11).

neyman's wages such a position in another office. One solution of this particular problem would be a modification of the union's rules so as to permit the filling of such positions with unskilled laborers. Since the unions now ordinarily require the employment of either journeymen printers or apprentices in these positions,⁴² the employer finds it to his advantage to put apprentices at the work. Up to the present the union has directed its efforts to requiring the employer, as has been noted above, to move the apprentice from one position to another.

To supplement the training of the office, two classes of technical schools, corresponding in a general way to the deficiencies in office training noted above, have been established. One class, represented by the *Inland Printer School* at Chicago, aims to give printers who already have a general knowledge of the trade special training in some one branch. The students are thereby prepared to take positions in the large, highly specialized offices. The numerous schools for training printers in the operation of the linotype are of this character. The other class of schools endeavors to give the apprentice an all-round knowledge of the trade, and thus to prepare him better to learn a special branch in the large office. The most important institution of this class is the *School of Printing of the North End Union* at Boston. Under the plan of this institution the apprentice is indentured to an employer for four years; the first year he spends at the school and receives systematic instruction in the various branches of the trade. He is not paid any wages during this year, but his prospective employer pays for his tuition. The remaining three years are spent in the office of the employer, who agrees to give a rate of wages during this period high enough to make the total earned during apprenticeship greater than under the ordinary system.

⁴² See below, p. 253.

Although both classes of schools are likely to be beneficial, those that train the compositor specially in some branch after he has passed through his apprenticeship are perhaps the more likely to develop rapidly. The large number of small offices will continue for many years to supply the greater part of the demand for compositors.

The attitude of the local unions toward ordinary trade schools has not, hitherto, been favorable, and many local unions require the graduates of such schools to serve as long an apprenticeship in the office as other apprentices. The unions have, however, warmly approved of those schools which aim to continue the training of the apprentice beyond that received in the office. In general, the union may be said to be opposed to any attempt to disassociate the training of the apprentice from the actual work of the office. It fears from such a course "an abnormal influx of young men into a trade where there is no room for them."⁴³

The union has recently interested itself directly in plans for giving instruction to apprentices and journeymen. In 1907 the executive council was authorized to appoint a commission to formulate a "system of technical instruction."⁴⁴ Ex-President Prescott was made secretary of the commission and placed in charge of the work. Arrangements were made with the *Inland Printer Technical School* to furnish a correspondence course for journeymen and apprentices. For the present, the commission is confining its efforts to the development of this plan; but it also hopes later to arrange for the establishment of courses in art institutes and schools of design throughout the country which shall be especially fitted to the needs of printers.⁴⁵

⁴³ *Typographical Journal*, Vol. 22, p. 355.

⁴⁴ *Proceedings*, 1907, p. 248.

⁴⁵ *Ibid.*, 1908, p. 144.

CHAPTER XI

LABOR SAVING DEVICES

Five important devices designed to lessen the number of printers required to do a given amount of work have attracted the attention of the union during its history. In the order in which the union has dealt with them, they have been: (1) the borrowing of matter, (2) the use of "patent outsides", (3) the use of plate matter, (4) the exchange of matrices, (5) the use of typesetting and typesetting machines. The first four devices are alike in that they economize labor by utilizing more fully a piece of composed matter. They do not in the slightest degree affect the cost of the original composition. The fifth device, on the contrary, makes it possible for a workman to produce composition more rapidly.

The Borrowing of Matter.—The possibility of transferring matter which had been used from one office to another and thereby reducing the outlay for composition must always have been apparent to the publishers of newspapers. The local unions, doubtless, had cases of this kind to deal with at a very early time, yet the subject did not attract much attention until after the Civil War. In 1869 the session of the International rejected a resolution directing local unions to oppose the borrowing of matter.¹ This action was due not to any opposition to the principle involved, but rather to the reluctance of the International, at that period in its history, to interfere in local questions.

¹ The resolution in full was as follows, "Resolved, that where any fair office is affected by borrowing from any unfair or other office that the local union take a stand against such infringement upon the rights of its members" (Proceedings, 1869, p. 39).

There is ample ground for believing that at the time local unions very generally opposed the borrowing of matter; and three years later, in 1872, a committee of the International expressly declared its opinion that the transfer of matter was "detrimental to both proprietor and printer and should not be allowed."² In 1873 the International adopted a resolution "discountenancing the practice prevailing in several cities of loaning and borrowing matter between morning and evening newspapers."³

There were two important limitations on the extension of the practice of borrowing matter. In the first place, since the forms of type are heavy and easily disarranged, they can not be conveniently or cheaply transported a long distance. Secondly, matter must ordinarily be reused quickly, or its value as news is lost. For these reasons the transfer of matter in the form of type, the only method available until recently, is rarely practicable except between a morning and an evening newspaper published in the same city. Consequently, although the union was opposed equally to all exchanges of matter between offices, the rule prohibiting the borrowing of matter related, for a considerable period, only to exchanges between a morning and an evening newspaper.

The interdiction of "loaning and borrowing", in the resolution of 1873, apparently implied that if a morning and an evening newspaper were owned by the same person, matter might be transferred; but the president of the International, in interpreting the rule, held that it forbade the exchange of matter between "all papers printed in separate and distinct establishments *no matter by whom owned*."⁴ In 1890 the session of the Inter-

² Proceedings, 1872, p. 60.

³ *Ibid.*, 1873, pp. 57, 66.

⁴ *Ibid.*, 1874, p. 15. In 1876 the resolution and decision were combined into an International rule as follows: "The practice of lending

national decided also that a morning and an evening newspaper owned by different persons were not to be allowed to exchange matter, even if the newspapers were printed in the same office.⁵ As the rule has since been enforced, therefore, the exchange of matter is prohibited unless the newspapers are printed in the same office and owned by the same person. Even under these circumstances, the exchange is frequently penalized. As has been noted above,⁶ some of the local unions require that the night rate shall be paid for all work done for a morning newspaper, even if part of the work is done in the daytime. Where such rules prevail, publishers who issue both a morning and an evening newspaper, usually agree with the local unions to pay the night rate to all their workmen; otherwise, complicated accounts must be kept. In 1900 President Donnelly declared that, in his opinion, where matter was thus exchanged, the "higher scale should be paid."⁷

"Patent Outsides."—About 1870 the use by the newspapers in the smaller towns of what are known as "patent outsides" began to be common. These were sheets printed on one side and furnished by a single printing office to a number of newspaper publishers. The central office printed thousands of these sheets from the same type, and sold them in small lots to its customers. The local publishers printed the other side of the sheets in their own offices. Since the cost of setting up the "pat-
and borrowing matter between morning and evening newspapers printed in separate and distinct establishments, no matter by whom owned, is repugnant to the principles of our organization and subordinate unions are enjoined to put forth every effort consistent with the best interests of such unions, in order that such practice may be abolished."

⁵ Proceedings, 1896, pp. 51, 109, 148, 150.

⁶ Page 137 n.

⁷ Proceedings, 1900, p. 43.

ent outside" was thus divided among many publishers, the expense of publishing a newspaper was considerably reduced. The chief disadvantage in the system was that the reading matter of the "outside" was not closely adapted to the wants of any particular newspaper.

The newspapers which used "outsides" were almost exclusively weeklies published in towns too small to have local typographical unions. The union, therefore, never showed a keen interest in the subject, although it was occasionally considered. In 1870 a committee of five, appointed "to take into consideration the feasibility of adopting some system to discourage and break up the system of printing 'outsides' in other places than that where the paper is supposed to be published," reported that it could not devise a remedy.⁸ In 1873 a resolution urging the local unions to "use all reasonable means in their power to prevent the further extension of this pernicious system," although recommended for adoption by a committee, was laid on the table.⁹

Plate Matter.—Stereotyping by means of plaster molds has been used in book work since the beginning of the nineteenth century, and about 1869 the "paper process" of making the stereotype mold came into general use in the United States. By the latter method, a papier maché matrix is beaten into the face of the form of type and then placed for drying on a steam "bed." The new process is both more rapid and cheaper than the old, and after its introduction stereotyping soon came into wide use on newspapers, partly as a means of obviating the wear on type, but chiefly because the newer forms of presses required that the surfaces from which they printed should be cylindrical in shape.¹⁰

⁸ Proceedings, 1870, pp. 30, 47.

⁹ *Ibid.*, 1873, pp. 31, 46.

¹⁰ *Printers' Circular*, Vol. 8, p. 242; E. W. Byrne, "Progress of Invention in the Nineteenth Century" (New York, 1900).

Stereotyping soon began to be used also as a means of duplicating matter. Since a number of stereotypes or plates could be made from the same matrix at slight expense, the cost of plate matter was much less than that of composition. About 1870 the invention of plate holders, on which the plates could be mounted, made it possible to use conveniently part type and part plate matter in making up a page of a newspaper; and manufacturers began to make plates for sale to newspapers. Plate matter was superior in many ways to the "patent outsides." The publisher could use as much or as little plate matter as he saw fit; and, to some extent, he could select the matter for his newspaper. The cost of shipping the plates was, moreover, far less than that of shipping the half printed sheets. For these reasons, from about 1880, the use of plate matter increased rapidly, and soon became a subject of intense interest to the union.

A minority among the Printers argued that the use of plate matter did not, on the whole, displace compositors. They asserted that the resultant cheapening in the cost of printing newspapers had led to the starting of many newspapers, and that, as a rule, established newspapers, if they used plates, did not reduce the number of their compositors, but increased the size of their issues.¹¹ Although these contentions were probably justified, it was obvious that on many newspapers the immediate effect of the introduction of plate matter was a decrease in the number of compositors. The local unions, therefore, acted very generally on the assumption that the introduction of plate matter would decrease the amount of employment, and, as far as possible, they prevented its use.

In 1884 President Crawford of the International pointed out that the rules of the local unions relating to

¹¹ Proceedings, 1885, p. 84.

the use of plates varied greatly, and urged the session to make and enforce a general rule.¹² Although strongly opposed to the use of plates,¹³ the session was convinced that a uniform rule governing the policy of all the local unions was impracticable, since some of them were unable to interfere at all with the use of plates, whereas others forbade the practice, and still others had compromised in one way or another.¹⁴ Another obstacle to the adoption of a uniform rule was the diversity of interests among the local unions. In the larger cities, the publishers of daily newspapers, on account of the larger circulation, could better afford the expense of having matter set in their own offices and rarely used plate matter. The compositors in these cities were, consequently, not fearful of being displaced. Moreover, the plates were made in the larger cities; and the local unions there wished to secure employment for their members as compositors in the plate manufacturing offices. The unions in the large cities were opposed, therefore, to the enactment of an International rule prohibiting the use of plates in union offices. For these reasons the International in 1885 decided to "relegate the whole subject to subordinate unions."¹⁵

The question was, however, too much discussed to be kept out of the councils of the International. The unions in the smaller places wished the support of the International in their efforts to keep out plate matter: and at

¹² Proceedings, 1884, p. 14.

¹³ *Ibid.*, 1884, pp. 33, 67, 71, 72. The following resolution was adopted at the session of 1884: "The International Union emphatically condemns the plate system now in vogue in cities and towns as being in direct conflict with the doctrine of protection to American labor." The local unions when boycotting newspapers for using plates made much of the fact that the plates were made in some other city, and that by their use home laborers were displaced by the product of non-residents.

¹⁴ *Ibid.*, 1885, p. 14.

¹⁵ *Ibid.*, 1885, p. 14.

the session held in 1886 they urged the adoption of a provision that local unions should require employers who used plate matter to pay their compositors as if the matter had been set in the office.¹⁶ The session finally agreed upon a compromise measure which it was hoped would satisfy both the plate-producing and the plate-using unions. The International executive council was to endeavor to unionize the "plate factories"; and newspapers employing union compositors were not to be allowed to use plates made in non-union factories. On the other hand, local unions were authorized to oppose the use of plate matter if a reduction in the working force was caused. Finally, the International executive council was to examine the rules of the local unions and to formulate a "uniform policy"; strikes authorized by the council in accordance therewith were to be supported from the International treasury.¹⁷

By this compromise the larger unions secured the aid of the plate-using unions in unionizing the "plate factories." On the other hand, the International funds were to be used to prevent the displacement of members by the introduction of plates. The defect in the measure was that the conditions under which the International was to support strikes against the use of plate matter were not clearly defined. The International officers, unable to construct a uniform policy from the widely varying rules of the local unions, decided to follow strictly the provisions of the compromise, and held that no strike against the use of plates would be supported

¹⁶ Proceedings, 1886, pp. 71, 79. The resolution declared that the use of plates was "dangerously pernicious in its effects on the printing business by unjustly reducing the amount of labor and expense incident to the publication of newspapers and periodicals, thus throwing out of employment large numbers of fellow-craftsmen."

¹⁷ *Ibid.*, 1886, p. 124.

from the International treasury unless the effect of the introduction of plate matter had been to reduce the working force. The local unions which had been able to prevent the use of plates were highly dissatisfied with this ruling, since the International was made thereby tacitly to sanction the use of plates under certain conditions. At the next session of the International, in 1887, the opponents of plate matter succeeded in securing again the "relegation of plates and plate-supplement matter to subordinate unions with power to act."¹⁸ The policy of the International with reference to the use of plate matter has since remained unchanged.

Since the introduction of the linotype, interest among the Printers in the question has been slight, for the low cost of linotype composition has practically stopped the use of plate matter in machine-set newspapers. Enormous quantities are used in the country weeklies and in the daily newspapers in small cities, but these are usually published in places where there are no union printers. Many local unions forbid the use of plates, but in those places where the publishers can profitably use considerable quantities, the unions have very generally been forced to concede the point.

The Exchange of Matrices.—The papier-maché matrices which are used as molds in making stereotypes are easily duplicated, and they can be readily sent from one office to others. The transfer of matrices is by far the most convenient method of exchanging matter between offices which have appliances for stereotyping. Ordinarily, however, newspapers with stereotyping outfits have typesetting machines and prefer to set their own reading matter. Hitherto, the most important use of matrices as a means of transferring matter has been for advertise-

¹⁸ Proceedings, 1887, p. 108.

ments. It frequently happens that an advertiser wishes his advertisement inserted in two or three newspapers in exactly the same form and style. To save labor, he gives copy to only one newspaper. Ordinarily, by the time this newspaper can let proofs go to the others, it is too late for them to set the advertisement, and the custom has grown up in such cases of sending a matrix instead.

When the exchange of matrices began to be considerable, the International Union was somewhat puzzled as to whether they were to be considered borrowed matter or plates. If they were classified as borrowed matter, their exchange was forbidden by an International rule of long standing; but if they were plates, local unions might permit or forbid their use. At the outset the session was inclined to the latter view, and, both in 1888 and in 1892, it decided that the exchange of matrices was "purely a plate question and should, therefore, be relegated to the subordinate unions."¹⁹ But the local unions, even those which permitted the use of plate matter, placed matrices in the same category as borrowed matter and required that they should be measured and paid for as though the matter had been set in the office. After the abandonment of the piece system of remuneration it became impracticable for the local unions to continue the "measuring" of matrices, and they prevented their use, as far as possible, by requiring publishers to "reproduce", *i. e.*, to set up again, such matter within a specified time.

In 1902 the International, following the lead of the local unions, so amended the rule forbidding the borrowing of matter as to cover also the exchange of matrices. The old rule had forbidden only the exchange of mat-

¹⁹ Proceedings, 1888, pp. 137, 176; *Ibid.*, 1892, pp. 174, 186.

ter between a morning and an evening newspaper, because, as has been noted, only between such newspapers was the borrowing of matter in the form of type practicable. Since the exchange of matrices was almost always between two morning or two evening newspapers, the rule was remodelled to forbid every interchange of matter, "either in the form of type, or matrices", between newspapers not published in the same office and owned by the same proprietor. It was provided, however, that the "reproduction" of matrices was to be "deemed a compliance with this law."²⁰ Under the rules of the union, therefore, when a matrix is transferred from one office to another, the type must be set up also in the second office, a proof taken, and corrections made exactly as if the piece of matter were intended for use.

The rule is not, however, so effective in increasing employment as it is in preventing the saving of labor. Ordinarily, in newspaper offices the "ad.-room" force must be large enough to take care of emergency work, and the "ad. men", now and then, have a good deal of spare time. If the publisher is allowed several days to "reproduce" the matrices, the effect of the rule in many offices is merely to keep the "ad. men" more fully occupied than they otherwise would be. If the local union is able to enforce a provision that the "reproduction" must be done on the day the borrowed matrix is used or on the next day, employment is more likely to be increased.²¹

The local unions and some of the publishers have, for some years, feared the introduction of a system under which advertisements would be set up in specially

²⁰ Proceedings, 1902, p. 141.

²¹ One of the points in contention between the New York union and the New York Publishers' Association in 1907 was whether matrices should be reproduced on the same day. The National Board of Arbitration allowed **four days**.

equipped offices and furnished in the form of matrices to the newspapers. The publishers would probably be forced in that event to reduce their rates for advertisements or to pay for the matrices. The unions, on their part, fear that the amount of labor required to set up advertisements would be considerably reduced. Since the requirement that matrices shall be "reproduced" serves to some extent as a barrier to the introduction of such a system, the publishers have not opposed the rule so energetically as they otherwise would have done, and the unions have been the more anxious to maintain it.²²

Within the last few years the interchange of matrices of reading matter between newspapers in different cities has become not uncommon. This has been due chiefly to the growing practice of issuing a "magazine supplement" with Sunday newspapers. These supplements contain general reading matter and colored cartoons that can be issued as well in one city as in another. Certain publishers who own newspapers in more than one city now set up a supplement in one of their offices and make matrices for the use of their other newspapers. Some publishers also have found it profitable to sell to newspapers in other cities either matrices or printed supplements for their Sunday issues. It has been held by the International officers that the rule against the exchange of matrices, although general in form, was not intended to apply to exchanges between newspapers in different cities.²³

²² Mr. Scott, who presented the argument for the New York union in the Arbitration Proceedings in 1907, said: "It is very clear to us that if we open the door to the unlimited use of mats and plates, in a very short time the effect would be the displacement of a great many members of our unions." See also "Regulation and Restriction of Output," Eleventh Special Report of the Commissioner of Labor (Washington, 1904), pp. 75, 83.

²³ Proceedings, 1902, p. 118. There were practically no inter-city exchanges in 1902, when the International rule was adopted.

The local unions may, therefore, permit or forbid the use of matrices brought from another city, just as they may permit or forbid the use of plate matter.

A statement of the action of the unions in a few cases where publishers wished to exchange matrices of reading matter will serve best to illustrate the differences in the policies of the local unions. In 1903 Mr. Munsey planned to use matrices from the office of the *Daily News* of New York in the Sunday issues of the *Washington Times* and the *Boston Journal*. The Boston union refused to allow the use of the matrices in the *Journal*, even if "reproduced."²⁴ The Washington union required the "reproduction" of the matrices. The Chicago union, in 1905, agreed to allow the use of matrices or "complete printed Sunday sections" in Hearst's Chicago *Examiner* and *American*. As a consideration for this concession, the publisher agreed that on these newspapers the maximum working day should be shorter and the minimum rate of pay higher than on the other Chicago newspapers.²⁵

In 1905 President Lynch called the attention of the session to the increasing use of matrices and printed sheets for Sunday supplements and argued strongly in favor of allowing their use on the ground that, in the long run, employment for printers would be thereby increased. The session authorized the executive council to confer with the American Newspaper Publishers' Association with a view to formulating an agreement con-

²⁴ Proceedings, 1903, p. 64.

²⁵ The contract sets forth that the "differences in scales on Chicago newspapers shall be deemed the just consideration agreed on by and between the parties hereto whereby Chicago Typographical Union, No. 16, relinquishes all claims to composition exclusive of advertisements in the Sunday supplement to Hearst's Chicago *American* and *Examiner*" (*Typographical Journal*, Vol. 27, p. 156).

cerning such exchanges, but no agreement nor International rule has been adopted.

To sum up, it may be said that the union has consistently opposed all of the four devices for the reuse or duplication of matter. Where the use of plates or the exchange of matter has been permitted, it has been because conditions were too strong for the union to overcome. The underlying motive in the opposition to such labor-saving devices has been the desire to prevent the displacement of labor; but the policy of opposition had its inception in certain peculiarities of the system of piece payment long in vogue on newspapers. Under that system, more particularly described in a preceding chapter, the publisher paid the compositors at a lump rate for all the matter contained in the newspaper; and the unions were always alert to prevent a reduction in the real rate of remuneration through the diversion of "fat" from the compositors employed in the office. If the employer had been allowed to have parts of the newspaper set outside the office, he might have selected the "fat" matter to be so set. Logically, the compositors should not have objected to the employer's having "straight" matter set in any place he saw fit or to his use of plates for "straight" matter, but the union did not discriminate so carefully. Moreover, the piece-working compositors in each office were always anxious to secure as much work as possible. According to their view, they had taken the whole job at a lump rate, and they insisted on being paid for all the matter used. If the publisher used plate matter, it was to be "measured and paid for" as if it had been set in the office.

As long as the piece system of remuneration prevailed, the rules against reuse and duplication were regarded,

not merely as devices to increase employment, but rather as means of securing to the compositors on each newspaper remuneration for all the matter used in the newspaper. There are, in many of the scales, other curious survivals of provisions originally intended to prevent the diversion of any of the piece work from the men in the office. For example, in the New York newspaper piece scale, it was provided that advertisements should not be considered as "standing" after they had been published the number of times marked on the original copy. The compositors were to be paid at regular piece rates for setting, or rather for "picking up", these advertisements if they were inserted again. In 1908 the New York union, which allows none of its members to work at a piece rate on newspapers, asked for the insertion in the scale, then under consideration, of a provision that advertisements other than standing ones should be "re-produced."

Compositors are now usually paid by time, and even where the piece system is in vogue, the lump rate no longer prevails. The piece rate is for "straight" matter, and the "fat" is set on time. The rules against the reuse and duplication of matter are, therefore, no longer a protection to the piece rate, but merely devices for making work. The change in the purpose of such rules is illustrated by the diversity of opinion within the union as to the form which the restriction on the use of matrices should take. The compositors on the *Washington Times*, in the case noted above, contended that the publisher should be made to pay for the privilege of using matrices, and that the employees of the *Times* should get the amount exacted. This was carrying out the principle that the compositors should be paid for all matter used in the newspaper. Since the piece scale does not

prevail on Washington newspapers, it was impracticable to ask the publisher to pay at a piece rate for the matrices; and the *Times* compositors proposed, as was done later in Chicago, to compound with the publisher for a higher time rate. The Washington union agreed with the *Times* compositors that all the matter in a newspaper should be set up in its own office; but it held that the purpose in enforcing such a rule was not to increase the remuneration of the men in the office but to afford employment.²⁶ The union, therefore, insisted that the matrices should be "reproduced." It is to be expected that by lapse of time such survivals in policy will lose their force. The prohibitions against the various forms of the reuse and duplication of matter will then rest, if still enforced, purely on the desire to increase the amount of employment.

Typesetting and Typecasting Machines.—In 1887 typesetting was essentially the same art as in the sixteenth century. While other branches of the printing trade had been revolutionized, the compositor had not advanced in his processes beyond the point he had reached four hundred years before. Probably no other handicraft employing such a large number of persons underwent as little change during this period, so full of industrial reconstruction. Attempts to devise machines for setting type have been made since the beginning of the

²⁶ The preamble to the resolution adopted by the Washington union on that occasion states the newer view clearly: "Whereas, it has always been the policy of the International Typographical Union and all unions subordinate thereto to endeavor to create as many situations as possible at the recognized scale of prices in the different jurisdiction . . . Whereas, it has never been the policy of the International Typographical Union or its subordinate unions to advocate or concur in any proposition that had for its purpose the increase of the wage of an individual member or group of members to the detriment of the remaining members of the union . . ." (*Typographical Journal*, Vol. 22, p. 369).

nineteenth century; but the first commercially successful machine—the linotype—was invented by Mr. Mergenthaler in 1884. Since 1890 machine composition has been rapidly supplanting typesetting by hand.²⁷ The following table shows the number of linotypes manufactured in the United States and Canada for each year from 1887 to 1903:²⁸

1887.....	55	1896.....	757
1888.....	66	1897.....	510
1889.....	57	1898.....	636
1890.....	57	1899.....	566
1891.....	69	1900.....	714
1892.....	288	1901.....	661
1893.....	568	1902.....	757
1894.....	890	1903.....	891
1895.....	1076		
Total			8618

The policy of the union with reference to the working of the machines was defined at a very early stage in their introduction. The session of the International held in 1888 recommended "that subordinate unions . . . take speedy action looking to their recognition and regulation, endeavoring everywhere to secure their operation by union men upon a scale of wages which shall secure compensation equal to that paid hand compositors."²⁹ At the time, less than 100 linotypes were in operation in the United States and Canada; and the greater part of these were being run experimentally. The growing importance of the question led to the definite formulation,

²⁷ In an article entitled "The Introduction of the Linotype," published in the *Yale Review*, November, 1904, the present writer estimated the displacement of hand compositors occasioned by the introduction of the machine.

²⁸ There are several kinds of typesetting and typecasting machines, but the Mergenthaler linotype exercised such a predominant influence during the period of introduction that attention may be confined to it without danger of serious error.

²⁹ Proceedings, 1888, p. 181.

by the session of 1889, of the union's policy in a "general law" controlling the action of subordinate unions. With unimportant changes in phraseology, this rule has since remained in force. In its original form, it was as follows: "The International Typographical Union directs that in all offices within its jurisdiction where typesetting machines are used, practical printers shall be employed to run them and also that subordinate unions shall regulate the scale of wages on such machines."³⁰ Curiously enough, the printers were reluctant at first to work at the machines; and at the session in 1890 resolutions were adopted urging members of subordinate unions to learn to operate them.³¹

The requirement that the machines should be operated only by journeymen printers had two distinct aspects: In the first place, it asserted the claim that the operation of the machine was printers' work. Important as this provision was in minimizing displacement, it involved no break in the former practice of the union, and in effect was simply an extension of jurisdiction over machine operators. The rule also prohibited the operation of the machines by apprentices, and in this respect was a striking departure from the previous policy of the union. Up to that time, it had been the uniform custom of the union to consider any of the work of a printer proper for an apprentice.

A slow movement toward the incorporation of machine work in the regular training of the apprentice has been going on; and in 1909 local unions may, if they see fit, grant permits to apprentices to work on machines during the last six months of their term.³² In the enactment of rules restricting the operation of machines by appren-

³⁰ Proceedings, 1889, p. 91.

³¹ *Ibid.*, 1889, p. 153.

³² *Ibid.*, 1906, p. 268; *Ibid.*, 1907, p. 169.

tices, the union has been actuated by two motives. The members felt strongly that as far as possible the opportunity to learn the new devices ought to be given to the displaced hand compositors. The apprentices had far greater adaptability than the displaced men, who in many cases had to learn to operate the machine or quit the trade. The modification in the rule is due to the passing of the early stage in the introduction of the machine. The printer who was displaced by the machine has either found his place in the trade or has abandoned it for some other occupation. The maintenance of the rule in its present form is due to the fear that machine work may fall into hands of men who are not printers.

In order to facilitate the policy of manning the machines with printers, the subordinate unions found it necessary to provide an opportunity for journeymen to learn the new device. Since an operator produces for the first few weeks only a small amount of matter, employers were given some concession in wages during this period. The International Union left the decision as to the terms of "learners' scales" entirely to the subordinate unions, except that from 1896 to 1899 the term of machine apprenticeship was fixed at two months.³³ The local unions showed themselves for the most part keenly alive to the importance of securing for their members a knowledge of the machine. They usually made their "learners' scale" low, with a view to inducing employers to train their own workmen rather than to employ skilled operators from other cities. Several of the larger local unions, going still further in their anxiety to meet the demand for operators, bought or rented machines and permitted their members to practise on them.³⁴ The introduction of machines was undoubtedly much facilitated

³³ Proceedings, 1899, p. 43; *Ibid.*, 1903, p. 110.

³⁴ *Typographical Journal*, Vol. 6, no. 3, p. 7.

by the constant efforts of the unions to supply the needed operators.³⁵

So anxious were the unions to avoid, as far as possible, the displacement of printers from the offices in which they had been employed that in 1894 the session of the International adopted a rule that printers employed in an office at the time machines were installed should be given "preference as operators, one expert operator being allowed."³⁶ This rule remained in force only a short time. An appeal was taken to the International president by an operator who maintained that his rights as a member of the union were thereby infringed. President Prescott sustained this contention on the ground that the rule was a violation of the constitution of the International Union, under which a member with a travelling card is entitled to the "friendship and good offices" of any union to which the card may be presented.³⁷ Mr. Prescott was careful to point out, however, that the rights of a travelling member would not be abridged where an employer "of his own volition or at the instigation of any person or persons decided to receive no application for situations until those who were working in his office had been given an opportunity." The responsibility was thus placed entirely on the local unions,

³⁵ As the period of introduction has passed, the local unions have shown themselves less eager to secure for their members training in machine work. Since they are no longer so apprehensive that non-printers will be put to work on the machines, many of the machine operators do not look with favor on plans for recruiting their branch of the trade. As a consequence, the "learners' scales" in many unions are not low enough to make it profitable for employers to train operators. The constant scarcity of operators has excited the concern of the International officers, and in 1907 President Lynch urged the importance of making more liberal scales for learners (*Typographical Journal*, Vol. 30, p. 484).

³⁶ Proceedings, 1894, p. 38.

³⁷ *Typographical Journal*, Vol. 8, p. 301.

and, in the majority of cases, agreements were successfully concluded with employers under which operators were trained from the hand compositors working in the office.

The local unions frequently had to deal with proposals to decrease the scale for hand composition in order to enable employers to meet the competition of the machine. This matter was entirely under the control of the local unions, but the International officials strongly advised against any attempt to keep the machine out by cutting down the price for hand work. In his address to the forty-second annual session, Mr. Prescott said: "Those familiar with the productiveness of machines are agreed that hand work cannot begin to compete with them, and it is therefore futile to attempt to stay the tide of their introduction by reductions in the scale unless we are prepared to suffer level decreases amounting to 40 to 50 per cent; and at that figure a better living could be secured at almost any unskilled avocation. A serious reduction in the rate of hand composition is sure to affect the machine scale also."³⁸ Notwithstanding this eminently sane advice, as the hand compositors saw themselves displaced, some of them turned to their only weapon of defense—competition with the machine.³⁹ One method was for a group of compositors to form a partnership and furnish matter to publishers at a price as low as that formerly paid for composition in the publishers' offices. The compositors paid their own rent, their fuel and light bills, as well as the cost of type. The scale of the union was thus underbid by its own members. In common decency, the unions could not deal harshly with such covert methods of competition, but the union scales for hand

³⁸ Proceedings, 1894, p. 3.

³⁹ *Typographical Journal*, Vol. 6, no. 22, p. 1; Vol. 10, pp. 251, 342.

composition were rarely lowered for the purpose of competing with the machines.

Of direct opposition to the introduction of the machine, there was practically none. Occasionally a small union refused for a time to make a reasonable scale for machines, but the International steadily discountenanced such a policy. The Kansas unions were able to keep the machine out of the state printing office for a time by political influence,⁴⁰ and machines were not introduced in the Government Printing Office at Washington until 1906. But in general the Printers acquiesced in the new order of things without a struggle.

The introduction of the machine has been of great advantage to the Printers in several directions. The union was materially aided thereby in reducing the hours of labor. The problem of boy labor, perplexing since the beginning of the century, has become unimportant. A bothersome and quarrel-provoking method of remuneration has been supplanted. The regularity of employment has been far greater among machine operators than it was among the hand compositors as a class; and the wage of machine operators is considerably higher than that of hand compositors was at the time of the introduction of the machines. The one unfavorable effect of the machine from the standpoint of the workman is the increase in the intensity of labor. Linotype operators are universally agreed that machine work is far more exhausting than hand composition.

The International has at times attempted by rules to keep the required speed of operators within what the union considers reasonable limits. In 1893 it was enacted that no member should be allowed to accept work "where a task, stint, or dead line is imposed by the em-

⁴⁰ *Typographical Journal*, Vol. 10, p. 453.

ployer on operators of typesetting devices."⁴¹ The same session prohibited operators from accepting a "bonus per thousand above the regular scale." The fear that the employers would raise the required amount so high as to make the work a very heavy strain, or that through the incentive of a bonus the standard would be put up by especially skillful operators to a point difficult of attainment, led to the enactment of these rules.

The prohibition of the payment of bonus was repealed in 1894, but the sentiment against this method of remuneration remained very strong; and in 1902 it was enacted that no bonus should be accepted by machine operators where the bonus was "voluntary on the part of the employer", and "not provided for in the scale of prices."⁴² The session of 1902 also recommended "that subordinate unions establish a stated amount of machine composition which is considered a fair day's work."⁴³ The International rules, if they had been literally enforced as they stood in 1902, denied the employer the right to place any definite stint, but gave the unions the right to do the very thing prohibited to employers. Despite the prohibition against an employer's requiring a fixed amount of work as a condition of employment, this was done in nearly all newspaper offices; and in 1903 the Typographical Union repealed its prohibition. The same session struck out the section recommending the "establishment by the local unions of a fair day's work." The rule against the acceptance of any bonus not paid according to the union scale is the only remaining International rule of this kind, except a provision that "members shall not engage in speed contests." The purpose of this unique prohibition is to prevent the arising of exaggerated ideas

⁴¹ Proceedings, 1893, p. 200.

⁴² *Ibid.*, 1902, p. 141.

⁴³ *Ibid.*, 1902, p. 142.

of the amount proper for an operator to set. Many of the local unions, however, fix a "minimum of competency" for machine operators, and an operator who sets the specified amount of matter in a day cannot be discharged for incompetency.⁴⁴

Such rules as those described have seemingly been ineffective in checking the increase in the speed of operators. Occasionally a local union has sheltered an unreasonable demand behind the rules, but, in the main, the speed of the operator has been determined only by his ability. The large number of operators receiving more than the minimum wage scale indicates that as a class their output has not been arbitrarily limited. A large part of the supporters of the rules described above desire also to obtain by this means employment for operators who are not able to reach the standard set by foremen. One difficulty is that the constant increase in the speed of the operators has made the old provisions for learning the machine inadequate. The proper remedy is for the unions and employers to revise the "learners' scales" to conform to existing conditions.

The success of the union in enforcing the rule that printers shall be employed as linotype operators has been frequently attributed solely to the strength of the union. In his testimony before the Industrial Commission, Mr. Gompers, the president of the American Federation of Labor, said: "The printers have had a most remarkable history, particularly within the last five years. The machine . . . was introduced, and it is one of the cases where a new machine, revolutionizing a whole trade, was introduced that did not involve a wholesale disaster even for a time; and it is due to the fact that the International Typographical Union has grown to be an organized fac-

⁴⁴ See below, p. 233.

tor and recognized by those employing printers as a factor to be considered." A more explicit statement of the same view was made before the commission by Mr. D. F. Kennedy, an organizer of the Federation of Labor for Indiana. He said, "These machines would now be run by typewriters, not typesetters, had it not been for the union taking possession of the situation to that extent that they compelled them to use typesetters to run the machine."⁴⁵

The introduction of machinery frequently leads to the employment of less highly trained and less skillful workmen, and in many cases to the replacing of skilled artisans with poorly paid women and children operatives. The Printers, on the contrary, have been able to require an apprenticeship of four years before a workman is permitted to operate the linotype. It is, therefore, important to inquire how far it is true that the Typographical Union by sheer force of combination has been able to force the employment of highly paid workmen to perform work which might be done by a much cheaper class of laborers. On the answer to this question depends the decision as to how far it is possible for other unions to utilize the experience of the Printers on those occasions when fundamental reconstructions of their own trades are in progress. A policy which required the employment of skilled workmen for work easily within the power of less skillful employees would be clearly uneconomic, and its continual enforcement would be against great economic pressure.

The Printers undoubtedly occupied an advantageous strategic position with reference to the introduction of the machine. The chief strength of the union for many years has consisted in the control of the greater part of

⁴⁵ Report of the Industrial Commission, Vol. 7, pp. 615, 748.

the larger newspaper offices. It is entirely probable that the union did secure the control of the machine in some of these offices because the publishers feared the boycott, which is peculiarly effective against newspapers. A second advantage possessed by the union lay in the fact that as the machine was introduced in the smaller newspaper and job offices, the supply of expert workmen, trained in the offices of the large union newspapers, furnished a ready labor market for employers who were about to install linotypes.

Several facts point, however, to the conclusion that the policy of the Printers has not succeeded simply through the power of combination. In the early years of the introduction of the linotype, much was said about the possibility of operating machines with non-printers. The experiment was tried in several cities, but with such small success that employers have abandoned the attempt to recruit their linotype operators from this class of labor. Non-union offices with substantial uniformity employ printers as machine operators. The union rules do not bind these employers, and their policy is dictated only by economic interest. The same practice prevails in other countries where the linotype is in use.⁴⁶

Moreover, a trade union rule without economic justification would probably have won its chief success at the outset and would gradually have decreased in influence. The returns made to the officers of the Typographical Union show that the union is fully maintaining control of the machines, for the proportion of union to non-union operators is not decreasing.⁴⁷ In 1908, ac-

⁴⁶ See Webb, "Industrial Democracy," p. 407; Radiguer, "Maitres Imprimeurs et Ouvriers Typographes," p. 482.

⁴⁷ The decrease from 1905 to 1908 was due to the eight-hour strike in which a considerable number of book and job offices were lost to the union.

cording to these returns, 87 per cent of all machine employees in cities where there were local unions were members of the union.⁴⁸ In no other branch of the trade does the union control so large a proportion of the workmen. The following table shows by years the percentage of union operators and machine tenders:⁴⁹

	Percentage of Unionists.				
	1901	1902	1904	1905	1908
Male Machine Operators.....	92	92	94¾	94	89
Female Machine Operators...	63	56	62½	63½	47
Machine Tenders.....	86	89	95	90	82
Operator Machinists.....	100	90	93	93¾	83
Total	91	90	92¾	92½	87

A consideration of the technical character of the linotype confirms the conclusion that it differs from many machines in requiring for its most profitable operation the skill of the superseded handicraftsman. The amount of matter produced on a linotype is directly proportional to the skill of the operator. Every part of the hand compositor's knowledge is useful to the machine operator, except an acquaintance with the location of the case boxes, and, instead, the operator must learn the keyboard of the machine. In addition, the operator must think far more quickly. He must not only know the same things, but he must be able to use his knowledge more rapidly.⁵⁰

⁴⁸ The censuses made by the union officials omit more non-unionists than unionists, but the conclusion as to the tendency is not weakened by such omissions.

⁴⁹ Compiled from *The Typographical Journal*, Vol. 18, no. 11 (supplement); Vol. 24, no. 2, p. 212; "Minimum Wage Scales, March, 1905"; and "Minimum Wage Scales, March, 1908."

⁵⁰ The present linotype operators were for the most part trained at "straight" hand composition. As this method of production falls more and more into disuse, it is a grave question whether apprenticeship in a printing office will form a sufficient training for the operators. The knowledge of spelling, punctuation, and capitalization which the apprentice gets from hand composition will probably have

The real merit of the union's machine policy was that it secured for its members an opportunity to show to the employer that as a machine operator the printer was more profitable than the unskilled workman. This policy required the frank recognition of the machine, its honest working, and fair concessions in "learners' scales."

to be obtained in trade schools, or the apprentices intended for linotype operators will be recruited from a better educated class of boys. For some time, however, this will not be an urgent question.

CHAPTER XII

IRREGULARITY OF EMPLOYMENT

Certain trade regulations of the Printers have as a leading purpose the lessening or the distributing of irregularity of employment. Such rules fall into three classes: (1) rules requiring the employer to give continuous employment during certain hours, (2) rules securing to the regularly employed workman the right to divide his work with the unemployed, (3) rules requiring the distribution of work beyond a fixed amount.

Continuity of Employment.—Until very recently, conditions in the printing trade made it desirable for employers to keep at hand as large a body of workmen as possible. In both the book and job and newspaper offices the work was done by the piece, and the cost of equipment was not great. An employer might, therefore, at relatively small expense make it possible to increase considerably, when occasion demanded, the output of his office, and in both branches of the trade this was highly desirable. In the book and job offices there were, from day to day as well as from season to season, great variations in the amount of work to be done. The employers, naturally, wished to keep around them a large available force, ready for an emergency. When work came in, therefore, they divided it up so as to retain in the office as large a number as possible of printers. Even stronger influences tended to make employment in the newspaper offices discontinuous during working hours. Since the publisher wishes his newspaper to contain the latest news, he desires to compress within the shortest

practicable period of time the work of setting up the newspaper. He was especially reluctant under the piece system to have matter set until its use in the newspaper was reasonably certain. The best arrangement, from the publisher's standpoint, would have been, therefore, to keep the force of compositors half employed for the first few hours each night or day, and then busily engaged for the remainder of the "hours of composition."

For many years after their institution, the organizations of printers made no attempt to obtain continuous employment during working hours. They were successful, first of all, in securing the enforcement in newspaper offices of a rule which gave each compositor payment for all time lost by reason of the failure of the employer to furnish work. In the Philadelphia scale of 1850, for example, it was provided that after eight p. m. "all waiting for mails or for any other purpose" was to be paid for at the rate of 25 cents per hour. Rules to much the same effect were enforced later by practically all the local unions. In order to avoid the trouble of keeping account of "standing time", employers ordinarily kept on hand a quantity of copy known as "bogus", and matter set from "bogus" was measured and paid for at the regular rate. Naturally, no "fat" ever went on the "bogus hook"; and the publishers sometimes gave out copy as "bogus" which, although not classified by the unions as extra price matter, required more time to set than ordinary matter. The unions usually provided that certain classes of "objectionable" copy might not be used as "bogus." The rules relating to "standing time" were entirely local and varied in minor details from union to union; but the principle on which they were based was frequently approved by the International. In 1870, for example, that body recommended "to all subordinate unions the neces-

sity, as a matter of right and justice, of providing for a fair and equitable remuneration for standing time, whenever the retention is at the instance of the employing party."¹

To prevent the publishers from shortening unduly the working day, the unions began to insist from about 1870 that the newspapers should furnish a certain minimum amount of work each day or night. The employer was ordinarily required to give each piece hand six or seven hours work at composition. In 1880 the International formally approved the rules requiring the employer to "give a reasonable number of hours of composition on daily papers."²

In book and job offices the unions were never able to enforce generally regulations of the same kind. The New York scale of 1850 provided that compositors required to "remain in the office unemployed awaiting orders from the employer" should be paid for the time lost at a time rate. The union was probably unable to make the rule effective, for it did not appear in the scale of 1869. The New York union had no effective rule until 1898,³ when it required that piece hands should have at least four and a half hours' work on any day they were required to be in the office. The Chicago union enforced for a time a rule that compositors were not to remain unemployed more than one hour. Only a few unions, however, attempted to deal with the question; and those that did were far less successful than they were in enforcing similar rules on the newspapers.

The general introduction of the time system of remuneration has made these rules for the most part obsolete. Where the machines are operated on a piece system,

¹ Proceedings, 1870, p. 61.

² *Ibid.*, 1880, p. 67.

³ *Typographical Journal*, Vol. 9, pp. 230, 271; Vol. 10, p. 368.

"standing time" is charged and the old rules concerning "bogus" and "objectionable" copy are still in vogue. The unions also ordinarily provide against the employment of a workman on time for less than a day. Such rules are less needed than formerly, since the pressure of the heavy fixed charges, due to the use of machines, favors strongly the continuous employment of the men during the working day. Even if a newspaper publisher pays his men by the piece system and is not required to pay for "standing time", the incentive, at present, to keep a large force is not nearly so great as it was when his newspaper was set by hand composition. The saving which he might make in wages would be largely, if not entirely, counterbalanced by the extra outlay for interest on machines and other charges connected with a larger equipment.

The Right to Divide Work.—Among trade unionists the feeling that unemployed members should be aided is widespread. This feeling has its root, partly, in the sympathy of workmen in a trade for each other, and partly also in the recognition of the fact that the laborer without work is a menace to the maintenance of the union trade regulations. Among printers employed on newspapers, the relief of the distress occasioned by irregularity of employment has been chiefly accomplished by an elaborate system of sharing work. The system, which has been in vogue for many years, originated in the conditions of the industry; but the union has from time to time attempted to regulate and more thoroughly enforce it.

In newspaper offices each regular employee is given a situation or, in the slang of the printers, a "sit." The regular is expected to "protect his sit", *i. e.*, if he does not work, he must furnish a substitute. In the course of

time, the printers came to regard it as a well established principle that a regular might divide at pleasure the work of his "sit" with his fellow workmen. The right of a regular to distribute the work of his "sit" was strongly maintained by both regulars and substitutes. The regular was interested in the maintenance of the "subbing system", because it practically guaranteed him a means of livelihood if he lost his situation. Moreover, he might lay off when he pleased, so long as he saw that his "sit" was filled. The substitutes favored the system because the regulars could be depended upon to distribute work more widely than a foreman would.

The efficacy of the system in providing work for the unemployed was undoubtedly very great. The local unions frequently urged the regulars to be generous in dividing their work; and the regular who never laid off was unpopular. In times of depression, it was not uncommon for unmarried regulars to give the larger part of their work to substitutes. Although a regular might give work to any substitute he pleased, there was a strong feeling that every substitute should have at least some work, and public opinion in the union was hostile to undue favoritism. A few unions even required the regulars to "put on" the substitutes in rotation.

Many foremen were strongly opposed to allowing the regulars an unlimited right to distribute work. A foreman could discharge an incompetent substitute and refuse to allow him to work in the office, but it frequently happened that the substitute, without being actually incompetent, was less capable than the man whose place he filled. Foremen, since they were responsible for the performance of work, disliked a system which frequently caused them to have a less efficient workman than they could have provided for themselves. From time to

time, therefore, they tried to break down or modify the "subbing system." The earliest attempt of this kind was the restriction of the regular's choice of a substitute to a posted list of workmen known as a "sub-list." The foreman, in effect, said to the regular: "You may choose as your substitute any one of these printers, but no one else." The foreman limited the number of names on his list in order to give efficient substitutes work enough to hold them in the office. The substitutes were thus about as steadily employed as regulars; but the "subbing system" lost its virtue as a means of relieving the unemployed.

Considerable difference of opinion existed in the union as to the advisability of opposing the establishment of "sub-lists." Some local unions permitted the practice, and for some years the International refused to make any declaration on the subject. In 1868 and 1870 resolutions declaring that the posting of a "sub-list" was "an exercise of arbitrary power, not warranted by the constitution" and "injurious to and subversive of the best union principles" were defeated.⁴ Many delegates maintained that any interference on the part of the union would be in conflict with an International resolution of long standing, which laid down the principle that "nothing should be enacted relative to the internal affairs of printing offices." In 1876, however, the subordinate unions were directed to take such action as might seem to them "best calculated to abolish what is known as the sub-list system."⁵ The resolution was not mandatory, and for ten years the opponents of the "sub-list" system sought to secure the enactment of an International rule which would forbid the practice in all union offices.

The International officers uniformly argued against the prohibition of "sub-lists." President Armstrong, in

⁴ Proceedings, 1868, p. 70; *Ibid.*, 1870, p. 67.

⁵ *Ibid.*, 1876, p. 42.

his address to the session of 1878, said: "As it appears to me, a foreman has just as much right to say who shall sub in an office as he has to name the parties who shall hold the situations. I understand that the sub-list system prevails in a majority of our union newspaper offices, and I am satisfied that its universal adoption will come in the near future."⁶ His successor, President Haldeman, following the same line of reasoning, decided in an appealed case that the putting up of a "sub-list" was "optional with a foreman."⁷ On the other hand, the travelling printers were strongly opposed to "sub-lists." The ease with which work as a substitute could be secured was partly responsible for the existence of a class of tramp printers who lived almost entirely by "subbing." These "tourists", as they were euphemistically termed, were an influential class; and they were a unit in their bitter opposition to any limitation on the right of regulars to distribute work.

The opponents of the "sub-list" gradually gained ground, and an increasing number of local unions prohibited the practice. In 1882 an International resolution directing subordinate unions to "abolish the sub-list where practicable" was adopted, but the session refused to make the resolution more definite.⁸ The International president, in his annual address to the session of 1883, argued as had his predecessors that any restriction on the right of a foreman to hire and discharge was unwarranted by the custom of the union. This view had become distinctly unpopular; and the rapidly increasing strength of the union at the time disposed the session to yield to the demands of the more radical element. The delegates from Chicago union, acting under instructions, presented

⁶ Proceedings, 1878, p. 16.

⁷ *Ibid.*, 1879, p. 10.

⁸ *Ibid.*, 1882, p. 61.

to the session a rule requiring the abolition of all "sub-lists." The rule as passed instructed "subordinate unions to abolish sub-lists on or before the 1st of September, 1883, under penalty of having their charters revoked."⁹

The International president found, however, a method of escape from this seemingly stringent measure, and, in announcing by circular letter the adoption of the new rule, he took occasion to interpret it in advance. In his opinion, the substitute was employed by the foreman and not by the regular; consequently, the consent of the foreman must be secured before any substitute could work. He accordingly found "but a limited sphere for the operation of the resolution." Foremen might not have "sub-lists"; the number of substitutes "could not be limited or precedence in employment required"; but the foreman could reach the same end by granting the privilege of "subbing" to only a few printers.

The sentiment in the union against any restriction on the choice of substitutes was by this time very strong; and in 1884 the rule prohibiting "sub-lists" was affirmed at the session of the International by an overwhelming vote of seventy-eight to six; and the victorious radicals secured also the repudiation of the president's decision. "The practice of requiring the permission of a foreman" before a member of a subordinate union could be employed as a substitute was forbidden.¹⁰ Under this rule the foreman might, of course, bar from working in the office a substitute whom he found to be incompetent, but he could not deny the substitute an opportunity to demonstrate his efficiency. If the substitute was competent and the foreman would not let him "sub" in the office, the local union could take the matter up.¹¹ Moreover, it was

⁹ Proceedings, 1883, p. 53.

¹⁰ *Ibid.*, 1884, pp. 18, 88.

¹¹ See below, p. 229.

provided that a regular could not be discharged or disciplined for putting in his place an incompetent substitute, if the foreman had not notified him that the substitute was barred for incompetency. One of the results aimed at by this series of rules was that no member should be shut out of employment on account of the ill-will of the foreman. If the foreman would not hire him as a regular, his fellow-unionists could share their work with him.

Since 1885 no proposal to repeal the rules establishing the right of the regular to distribute work has received any considerable support at the sessions of the International. On the contrary, the union, from time to time, has directed its attention to securing the better enforcement of the rules by local unions and also has provided specifically against certain ingenious evasions of the rules by foremen.

Some foremen restricted to a certain extent the distribution of work by requiring that all the regulars must work on certain days of the week and that on other days only a limited number of "subs" might work.¹² On busy days, the foreman thus assured himself of the presence of his regulars and avoided the possibility of being inconvenienced by less efficient substitutes. He was also better able to obtain additional workmen if the regulars could not employ substitutes and thus decrease the available supply. Rules of this kind were objectionable to the union, for both the right of the regular to lay off when he chose and his power to distribute work were thereby largely taken away. In 1884 the International expressed its strong disapproval of rules "allowing only a specified number of 'subs' to work each day, and on certain days none at all." Many local unions prohibited the practice ;

¹² The days thus specified were known in the vernacular of the printers as "must days."

but the International took no definite stand until 1890, when the following rule was adopted: "Foremen shall not designate any particular day nor how many days a man shall work in any one week."¹³

When the publication of Sunday newspapers was begun, each regular employee in the composing room was expected to see that his situation was filled on all seven days of the week. As the union since 1890 has not allowed its members to work more than six days in any one week if a substitute can be had, the work of one of the seven days was given by the regular to a substitute. The regulars, animated by the desire to aid the unemployed, distributed the work of the seventh day among practically all the available "subs." The substitutes in the office varied, therefore, from time to time considerably in number and efficiency, since the better men ordinarily soon found regular situations. In order to assure the presence of efficient workmen by giving them regular employment, foremen began very generally to hire men for only six days, or, in the language of the trade, to give out six-day situations. The regulars were arranged in such a way that each worked on six specified nights. Such an arrangement was known as a "phalanx." Under this system the power of the regulars to distribute work was, of course, much decreased. Moreover, the regular was no longer privileged to select any day of the week he pleased as his "off" day.

Considerable dissatisfaction was occasioned by the new system; and in 1901 the following rule was adopted by the International: "Phalanxing by foremen or giving out six-day situations on seven-day papers, thereby controlling extra work, constitutes a sub-list."¹⁴ As interpreted by

¹³ Proceedings, 1884, pp. 42, 67; *Ibid.*, 1891, p. 209.

¹⁴ *Ibid.*, 1901, p. 126.

the International president, this rule prohibited the foreman of any newspaper from changing, except temporarily, the holders of seven-day situations into holders of six-day situations.¹⁵ The rule was unsatisfactory to many local unions, for the regulars objected to being made responsible for seven-day situations, and in 1906 local unions were allowed to provide, if they chose, for six-day situations.¹⁶

In recent years the desire of the foreman to control all the work of his office has been much increased by certain changes in the conditions under which daily newspapers are produced. The number of men needed on different days in the week varies more widely than formerly, especially on newspapers with large Sunday issues. On Thursday, Friday, and Saturday nights, when the men are partly occupied in preparing matter for the Sunday issue, the force must be larger. In order to hold the men whom he needs on these days, the foreman must give them more than three days' work each week. He is, therefore, eager to give to these "extras", as they are called, as much work as possible, and objects strongly to having his regulars give to outsiders work which would aid him in keeping efficient "extras."

In many offices foremen who labored under this difficulty stopped giving out regular situations. Though the workmen who already had regular situations were left undisturbed, all new workmen were taken on as "extras."

¹⁵ President Lynch has held that phalanxing may be temporarily allowed in case of a reduction in the force, but that it is not lawful to give out six-day situations in sufficient numbers to fill the needs of the newspaper permanently. Phalanxing for four months, for example, is not a temporary phalanx (President's letter book [MS.], Vol. 66, p. 612). As a result of the enforcement of the rule in Philadelphia fifteen holders of six-day situations were dismissed from one newspaper (*Typographical Journal*, Vol. 24, p. 442).

¹⁶ Proceedings, 1906, p. 267.

There was, of course, a tacit understanding between the foreman and the men as to the days they should be employed; but nominally the men for each day were hired by having their names posted the day before. By this subterfuge the foreman obtained entire control of the work of the office. To some men he gave six days' work; to others, five; and to some, perhaps, three. The "subbing system" was completely destroyed. In 1902 the International enacted the following rule: "The practice by foremen of selecting their force from day to day or not having any regular situations in an office is prohibited. Foremen must give out such minimum number of situations as are needed to meet office requirements."¹⁷ It is very difficult, however, to determine the "minimum number of situations needed to meet office requirements", and conditions have not been greatly altered in such offices by the enactment of the rule.¹⁸

The rules of the union do not at present secure to the members the power to effect a wide distribution of work.¹⁹ As long as the equipment of a compositor was a "frame" and type, costing, perhaps, \$50, and payment was by the piece, the foreman of a newspaper could have one or several incompetent substitutes at work without serious difficulty; but, in an office where each operator works a machine valued at \$3500 and operated at a heavy fixed charge, the foreman is anxious that each machine shall be in charge of a highly efficient workman. The "ad. men" and proof readers must be trained to the requirements of each newspaper. The foreman exercises,

¹⁷ Proceedings, 1902, pp. 136, 140.

¹⁸ The most effective device for securing the giving out of situations has been to set the rate higher for "extras" than for regulars. Thus the New York union requires that "extras" shall be paid 50 cents more for each day or night than regulars.

¹⁹ *Typographical Journal*, Vol. 10, p. 196; Vol. 22, p. 589.

therefore, more strictly than in the days of hand composition, his power to bar from the office incompetent printers.²⁰ The result is that in almost all offices the number of substitutes is small, and these are employed almost as steadily as the regulars. "The tendency in the printing trade," said the International president in 1902, "is towards permanency in the office staff—both regulars and substitutes."

Compulsory Distribution of Work.—The distribution of work was for a long time left by the union entirely to the voluntary action of the regulars. Naturally, they were not all equally influenced by the sentiment in favor of dividing work with the unemployed. Some holders of seven-day situations, for example, persisted in working seven days in the week even at times when many of their fellow workmen were idle. Such conduct was particularly obnoxious; and in 1890 the International prohibited members employed on morning newspapers from working more than six days in any one week if a substitute could be obtained.²¹ This rule, known in the union as the "six-day law", has since been constantly amended with a view to making it more effective. Attention was soon called to the fact that members in certain offices were working overtime, and it was argued that they were engrossing employment as effectually as if they were working seven days in the week. Accordingly, in 1891 the "six-day law" was amended so as to prohibit any member from working on a morning newspaper more than fifty-nine

²⁰ The judgment of a foreman as to the competency of a substitute may be passed upon by the union exactly as in the case of a member discharged for incompetency. See below, p. 232. But much greater freedom is allowed the foreman in adjudging substitutes to be incompetent. If a foreman, however, refuses on personal grounds to allow a member to "sub" in an office, he may be fined (President's letter book [MS.], Vol. 48, p. 621).

²¹ Proceedings, 1890, p. 154.

hours in any one week if a substitute could be had. A fine of one day's pay was prescribed for a violation of the rule.²²

Defects in the "six-day law" were soon discovered. It was still possible under the rule for a workman to have employment for more than six days in a week; for each week was counted as distinct, and if a substitute was not available during the week, or rather on the last day of the week, the workman might work the seventh day. If the rule was to be fully effective, it was clear that the period within which work was to be given to substitutes must be extended. In 1899, accordingly, the rule was amended to require a member who had worked seven days in one week to lay off a day if a substitute became available at any time during the succeeding week.²³ By this amendment the distribution of extra days was fairly well secured.

The rule was still defective as a means of forcing the distribution of overtime; for a member rarely worked enough overtime in a single week to amount to a full day's work, and the rule did not require the giving away of less than a day's work. Regulars were able, therefore, to engross many small pieces of overtime. In 1902 local unions were empowered to require that after a certain number of hours overtime had been worked a substitute must be employed. They were also to fix the period during which overtime should be accumulated.²⁴ Only a few of the local unions made the necessary provisions, and in 1906 the session of the International fixed the minimum period of accumulation at thirty days,²⁵ but local unions

²² *Typographical Journal*, Vol. 2, no. 3, p. 4; Proceedings, 1891, pp. 166, 208.

²³ Proceedings, 1899, p. 50; *Ibid.*, 1903, p. 145; *Typographical Journal*, Vol. 15, p. 198.

²⁴ Proceedings, 1902, p. 125; *Typographical Journal*, Vol. 22, p. 241.

²⁵ Proceedings, 1906, p. 265.

were allowed to extend the period if they saw fit. A member who worked more than forty-eight hours in any one week was to be charged up with the overtime until it amounted to a day's work. This was to be given to the first eligible substitute. Until a substitute appeared or until the expiration of the period of accumulation, additional overtime was to be added. Since the rate for overtime is higher than for other work, a member would be somewhat better off even if he gave to a substitute the same number of hours he had worked overtime. In 1907 President Lynch held, however, that a "substitute should be employed in all instances where the overtime money equals a day's wages." In other words, the workman was to give to a substitute not merely the number of hours of overtime, but work of equal remuneration. This construction of the rule was approved by the session of 1907.²⁶

As the "six-day law" stands in 1908, therefore, no member of the union must work more than six days in any one week if a substitute is available. If he does work seven days, or if he works an amount of overtime for which he receives a sum equal to the wages for a day's work, he is required to give a day's work to a substitute. If a substitute cannot be had at the time, the first one available within thirty days gets the work, and the regular lays off. The "six-day law", as originally framed, governed only members of the union who were working on morning newspapers. In 1896 the rule was amended so as to cover all members of the union;²⁷ but in the book and job offices, where there are no substitutes, it is not effective. It is contended that the work in the book and job offices varies so from office to office that the substitute

²⁶ Proceedings, 1907, pp. 157, 190.

²⁷ *Ibid.*, 1896, p. 109.

system cannot be introduced.²⁸ The union might require a member who had accumulated overtime to lay off a day on the assumption that work would thereby be given to some other member; but such a rule would occasion great friction and has not been discussed.

The "six-day law" is intended to prevent any member of the union from working more than the normal working week as long as other competent members are unemployed. The union cannot require absolutely that each employee shall work only a specified number of hours each week, for the employer cannot be made to bring on new workers whenever he needs men for a longer time than usual. The union has, therefore, been forced, in order to accomplish partially its purpose, to require the giving of overtime to substitutes. But the "subbing system" is not thoroughly effective as a means of distributing work, since the employers will not permit unemployed printers to serve as substitutes merely because they are unemployed.²⁸ They must also be competent, and, as has been noted above, permission to substitute is not given readily in large newspaper offices. The Printers realize this defect in their system of distributing work, whether voluntary or compulsory. In 1906 it was proposed to give the representative of the union in the office, the chairman of the chapel, the right to determine whether a substitute was eligible to work; but the proposal was defeated.³⁰

Occasionally, in periods of depression, proposals have been made to limit still farther the working week of regu-

²⁸ *Typographical Journal*, Vol. 31, p. 529; Vol. 32, p. 259.

²⁹ Different local unions vary widely in the extent to which they secure to the unemployed the right to serve as substitutes, and even in the same local union some foremen are more willing than others to allow substitutes to work.

³⁰ Proceedings, 1906, p. 266.

lars for the purpose of giving work to the unemployed.³¹ The reduction of the working week to five days was much discussed from 1896 to 1899 on account of the large amount of unemployment due to the introduction of the linotype and to the depression in business. The International officers strongly favored the reduction of the working week by the local unions;³² but the unions that adopted "five-day laws" soon repealed them, for they found that the unemployed were attracted from other cities. In 1899 the Cincinnati union proposed the enactment of an International five-day rule, and it was submitted to a vote of the membership.³³ By that time, however, the depression in the trade had passed. The displaced men would have been unable, in many cases, to obtain work in the offices under the new conditions. The difficulty of introducing the five-day week in job offices was another objection. The total vote on the question was 14,151 and the majority against the proposition, 4371.³⁴

The feeling against allowing a member to engross employment has found further expression in rules forbidding a member to hold two situations. A regular may some-

³¹ The following resolution introduced at the session of the International in 1887 sets forth characteristically the argument for such limitation: "Whereas it being well known that in a majority of all the larger cities, a large number of our members are out of employment, and whereas, it is well known that the fidelity and loyalty of members known as 'subs' are the mainstay of our organization; therefore, be it resolved, that it is the sense of this body that subordinate unions should as much as possible reduce the hours per day or the days per week that each member may work so as to give the unemployed members a fair chance of earning a livelihood."

³² *Typographical Journal*, Vol. 10, pp. 31, 359.

³³ Proceedings, 1899, p. 40.

³⁴ *Typographical Journal*, Vol. 16, p. 95. In 1905 the New Orleans union adopted a "five-day law" during an epidemic of yellow fever (*Typographical Journal*, Vol. 27, p. 436). Several of the local unions of printers in German have "five-day" laws.

times work also as an "extra" in another office, or he may even hold two regular situations. The union has always considered such conduct as grasping and as damaging to the chances of his fellow unionists for employment. Rules against the practice have been enforced by the local unions for many years, and since 1894 an International rule has forbidden a "regular holding a situation in one office to accept casual employment in another." Just what constitutes a situation is somewhat difficult to define and the International has expressly left the determination of the question to the local unions. It would obviously be unfair, for instance, to debar a member who held a two-day situation from seeking employment on other days in the week as an "extra." Where the local union, as in New York, requires that all situations on newspapers shall be six-day situations, it is usual to forbid regulars to accept employment in any other office.

Since the introduction of the eight-hour day in book and job offices, complaint has been frequently made that some journeymen printers work in small plants of their own after finishing their work as employees. One union reported to the president of the International Union concerning these cases as follows: "We find that the men work in the daytime and in spare hours solicit jobs, set them up, do the press work themselves and in all respects operate small plants in addition to their regular employment."³⁵ Such members work more than eight hours and, in the opinion of the union, do work which ought properly to go to some other printer. In 1907 the session of the International made it "unlawful for a member . . . to do a day's work in any office and at the conclusion of the day's labor proceed to engage in active work at the case or in a mechanical capacity in another printing

³⁵ *Typographical Journal*, Vol. 30, p. 256.

office in which said member is financially or otherwise interested."³⁶

³⁶ Proceedings, 1907, p. 190. It will be noted that the rule prohibits a member's working after hours only as a printer. He may do any other kind of work. The union claims control over its members only as printers.

CHAPTER XIII

TENURE AND PROMOTION

The Printers at a very early time expressed their desire that the hiring and discharging of workmen should be entirely in the hands of the foreman. One of the earliest trade rules enacted by the National Union was as follows: "The foreman of an office is the proper person to whom application should be made for employment; and it is enjoined upon subordinate unions that they disapprove of any other mode of application."¹ The workmen were closer to the foreman, and they disliked the interference of the employer in the affairs of the office.² Even if the foreman was not a unionist,³ he was in the opinion of the men less likely to be influenced by personal motives in hiring and discharging.

Until within a comparatively recent period, the rules of the union did not restrict the power of the foreman to hire and discharge. In 1878 the president of the International in his annual address said: "I have never yet heard the right of the foreman to hire and discharge men questioned, save as punishment for the maintenance of a union principle or on account of differences regarding union matters."⁴ Two years before, in 1876, the session had

¹ Proceedings, 1858, p. 46. In 1896 the penalty for the infraction of this rule, which had hitherto been discretionary with subordinate unions, was fixed at six months' suspension, but in 1901 subordinate unions were permitted to expel or suspend violators (*Typographical Journal*, Vol. 19, p. 207; Proceedings, 1896, p. 109).

² If an employer serves as his own foreman, he has the right to hire and discharge.

³ See below, p. 297, for a description of the place which the foreman has come to occupy in the enforcement of union rules.

⁴ Proceedings, 1878, p. 16.

definitely affirmed this traditional policy in a general rule. "The proprietors or foremen of printing offices have the right to employ or discharge help at will, so long as they comply with the laws and regulations of the subordinate unions in whose jurisdiction the office is located, and the discharge is not for maintaining union principles."⁵

The first proposal to regulate by an International rule the discharge of employees was made in 1883, when the agitation against "sub-lists" was at its height. The Chicago local union instructed its delegates to the session of the International held in that year to "introduce, work, and vote for a general law prohibiting the discharge of a member of the union without good cause, and requiring when he is so discharged that good reason shall be given therefor."⁶ The purpose of the Chicago union was not primarily to interfere with the discharging of regulars, although the proposed rule was broad enough to cover all employees, but to prevent the evasion of a rule against "sub-lists" proposed at the same time. It was feared that if the union simply forbade "sub-lists", foremen would discharge all substitutes except those whom they wished to have in the office. A "sub-list" would thus in effect be indirectly maintained. The proposal was defeated by a vote of thirty-five to thirty-nine, although the companion proposition abolishing "sub-lists" carried by a vote of sixty-two to twelve.

The practice of inquiring into the causes of discharges, particularly of substitutes, was extending at this time in the local unions. Hitherto, the unions had interfered only in case the discharge was for maintaining union principles, but they now began to resist discharges made on personal grounds. When cases of this kind came up, the

⁵ General Laws, 1876, sec. 35.

⁶ Proceedings, 1883, p. 53.

local unions found themselves hampered by the International rule which gave foremen the right to discharge "at will." An effort was made at the session of the International in 1888 to secure the passage of a rule which would have placed the regulation of the hiring and discharging of employees entirely in the hands of the local unions. The rule failed to pass, but a resolution declaring that no foreman had "the right to discharge an employee on purely personal grounds" was carried.⁷

The movement for some limitation on the power of the foreman to discharge grew rapidly, and in 1890 the International enacted the rule since known as the "priority law." In its main outlines, the new rule followed the Chicago proposal of 1883. Foremen might still "employ help at will"; but the grounds on which they might discharge were now stated. Incompetency, violation of rules, neglect of duty, and decrease of the force were to be good reasons for a discharge. A discharged employee was to have, on demand, a written statement of the cause of his discharge. Included in the rule was also a declaration that a workman competent to "sub" in an office was competent to hold a regular situation.⁸ The "priority law", as thus formulated and since developed, in the first place, limits the right of the foreman to discharge, and, secondly, it gives to a substitute working in an office a preferential right as against an outsider to a vacant regular situation. For the sake of clearness, the two parts of the rule will be treated separately, although they are complementary and their history has been similar.

Tenure of Position.—That part of the "priority law" which limits the right of the foreman to discharge employees has been altered only slightly from its original form.⁹

⁷ Proceedings, 1888, p. 182.

⁸ *Ibid.*, 1890, p. 66.

⁹ In 1893 the entire rule was repealed chiefly on account of dissat-

The four causes for discharge specified as valid remain the same, and the foreman is still required upon the demand of the discharged employee to give in writing the reason for the discharge.¹⁰ The chief changes have been made in the part of the rule relating to discharges of employees made for the purpose of reducing the force. The rule originally allowed the foreman entire freedom in selecting the employee who should be laid off, and, if no increase in the force was made within sixty days, the discharged employee lost his right to reemployment. By successive modifications, the rule has been altered until, in 1909, it requires that in case of a decrease in the force the person last employed must be the first to be discharged, and, if the force is subsequently increased, the discharged employees must be reinstated in the order in which they were discharged before other workmen may be employed.¹¹ The purpose of these changes was to make it impossible for a foreman to "weed out" his force in dull times, or to evade the rule under pretense of reducing the number of employees.

Before the enactment of the "priority law", the policy of dissatisfaction arising out of the operation of the section relating to the "priority" of substitutes. See below, p. 238. The rule was reenacted in 1894.

¹⁰ Prior to 1893 a new foreman was allowed to discharge "at will"; but since then "incoming foremen" have been subject to the provisions of the rule (Proceedings, 1893, p. 183).

¹¹ On January 1, 1909, the part of the "priority law" relating to tenure of position was as follows: "Foremen of printing offices have the right to employ help, and may discharge (1) for incompetency, (2) for neglect of duty, (3) for violation of office rules (which shall be conspicuously posted) or of laws of the chapel or union, and (4) to decrease the force, such decrease to be accomplished by discharging first the person or persons last employed, either as regular employees or as extra employees, as the exigencies of the matter may require. Should there be an increase in the force, the persons displaced through such cause shall be reinstated in reverse order in which they were discharged before other help may be employed."

of the union, as has been noted, had been to prohibit only discharges made on "union or personal grounds." It was felt that it was an unjust use of a foreman's authority to discharge an employee on account of personal dislike or because of the activity of the employee in the union. To secure the intervention of the union and his reinstatement, the discharged member was expected to prove bias on the part of the foreman. A foreman was at liberty to discharge any member of his force if his purpose was to make a place for a more desirable workman. Under the working of the "priority law", on the other hand, the foreman must be prepared to give a valid reason for a discharge. If a foreman wishes to discharge a workman, he must show, in the absence of some violation of rules or neglect of duty, that the discharged workman is incompetent. It will not be sufficient merely to show that the new employee is better than the old one; but the foreman must show positive incompetency.¹² Where the judgment of a foreman in regard to the competency of a discharged employee is questioned, the foreman is expected to be in a position to "make good his reason for discharge"; mere allegation by a foreman that he considers a man incompetent does not settle the matter.¹³ Of

¹² A case reported in 1906 by the International organizer for the New England district illustrates the distinction: "The organizer was summoned to Hartford to investigate the discharge of a member on the Hartford Post. It was found that the management had discharged one of the regulars in the office—a machine operator—and had hired a late arrival in his place. No charge was made against the member discharged as to his ability, etc., except that the member given the situation, in the opinion of the management, could be used to better advantage in the various departments. A conference was held with the owners of the paper and the matter thoroughly discussed. The organizer insisted that, as International Typographical Union law had been violated, the member discharged should be immediately reinstated, which was done" (Proceedings, 1906, p. 124).

¹³ President's letter book [MS.], Vol. 57, p. 631.

course, if an employee discharged for incompetency can prove that the foreman had ill-will toward him, his case will be inferentially strengthened, but the rightfulness of the discharge rests on the conclusion as to whether as a matter of fact the employee is incompetent.

For only one class of workmen, *i. e.*, machine operators, has it been found practicable to define competency in definite terms. A considerable number of local unions have inserted in their rules provisions stating the "minimum amount of ems by which a standard of competency shall be established for a day's work." An operator who can set in a satisfactory manner the specified amount cannot be discharged on the ground that he is incompetent. In a case where operators deliberately limited their output, but still set more ems than the amount specified as the minimum of competency in a written agreement, the president of the International held that the men could not be discharged for incompetency.¹⁴ Ineffectual attempts have been made to secure the passage of an International rule defining competency for machine operators. The session of 1902 advised subordinate unions to "establish a stated amount of machine composition which is considered a fair day's work."¹⁵ but this recommendation has since been rescinded. The employers in many places have complained that the "standards of competency" are set too low, and that incompetent workmen are thereby protected from discharge.

¹⁴ The president took occasion, however, to say: "We have no sympathy with, nor have we ever expressed the idea that we are justified in limiting the product of a workman or set of workmen in order that opportunity for more employment for our members may be created. This is a false doctrine and one that leads to disaster and disruption of federated workmen" (President's letter book [MS.], Vol. 74, p. 833).

¹⁵ Proceedings, 1902, p. 142.

It is impossible to define what constitutes competency for other classes of printers, such as job men, "ad. men", and proof readers; and the local unions in each particular case decide the question subject to an appeal to the International president and the executive council. A few general principles have, however, been laid down. It has been recognized, for instance, that a printer who is competent in one office may not be so in another, since some offices insist on having superior men and are willing to pay more than the scale.¹⁶ Moreover, the employees in large printing offices are not ordinarily proficient in more than one branch or "department" of the trade. A proof reader, for example, is rarely able to operate satisfactorily a linotype. The International officials in construing the "priority law" have recognized this condition and have held that a workman cannot be discharged because he is not competent in other branches than the one in which he has been working. It is asserted that prior to this decision foremen when they wished to get rid of workmen showed them to be incompetent by putting them at work in "departments" with which they were unacquainted. At the session held in 1907, the International Union provided that in no case might a foreman "transfer a person to a

¹⁶ "An office cannot, however, change suddenly its standard of competency. A Boston newspaper in 1903 wished to fill its office with highly expert operators and discharged eight men within two weeks. The president of the Boston union thus described the disposition of the case: "These men protested against being discharged so summarily, and as president of No. 13 I had an interview with the superintendent. We had quite an interesting session. He stated that as he had a small plant he intended to fill the office with experts. I couldn't see the justice of this course, and told him so. I told him that we were willing to allow him to keep his force up to a good average standard but that we didn't propose to have the old force turned adrift. I insisted that the eight men discharged be reinstated. They were placed back in their old positions" (Proceedings, 1903, p. 64).

department he is not familiar with and then declare him incompetent."¹⁷

Within a "department", however, a workman must be competent to do any kind of work he is required to do. In a case in New Orleans, a linotype operator was given a complicated and difficult piece of work. The time ordinarily required by other employees to do the same work had been from one hour and a half to two hours and a half. The discharged operator took five hours and fifty-five minutes to set up five-sixths of the work. Although he had been working in the "department" eleven years, his discharge was held to be valid. "To sum up this case," said President Lynch in his decision, "it is maintained that a foreman has a right to demand that composing room employees shall be competent to perform work assigned them, and especially that machine operators shall be competent to set copy going on machines, that make-ups shall be competent to make up, and that 'ad. men' shall be competent to set ads."¹⁸

The same considerations have led the president to hold, in several decisions, that the section of the "priority law" requiring "a decrease in the force to be accomplished by discharging first the person last employed" is not to be construed literally. If the foreman wishes to decrease his force of proof readers, he may discharge the last proof reader employed, although the proof reader may not have been the last printer employed on the newspaper.¹⁹ The union, however, is anxious to maintain as

¹⁷ Proceedings, 1906, pp. 266, 267.

¹⁸ President's letter book [MS.], Vol. 61, p. 18; Proceedings, 1904, p. 200.

¹⁹ In a recent case, President Lynch said: "The law does not intend, where the reduction in force is necessary in the hand department, that the reduction in force shall be made in the machine department. If, in the present case, a reduction of force was necessary in the hand department, then the person or persons last

nearly as possible strict priority; and in 1907 it was provided that if local unions do not recognize "departments" by agreement with the employers, no workman may be discharged to decrease the force "while there is work in the office which he is competent to do and to which his priority entitles him."²⁰ Under this rule a foreman who wishes, for example, to reduce his force of proof readers cannot discharge the last proof reader employed, if the proof reader is competent at some other branch of the trade and has a longer standing in the office than some other employee.

Besides for incompetency, an employee may be discharged for a violation of the rules of the union or of the office, or for neglect of duty. The president has held, however, that office rules must be made in good faith and not simply to afford a pretext for discharging employees. They must also be reasonable. If the rate of speed required, for example, is such as to make it impossible for employees to obey the rules, they cannot be discharged for non-compliance.²¹

Although the rule specifies only four causes of discharge as valid, the International president has held that this enumeration is not meant to be exhaustive and that other reasons for discharge will be sustained.²² Where, for example, a foreman discharged an employee for "loud, boisterous, and ungentlemanly conduct" the president held that the discharge was justified.²³ Again, in employed in that department under the law should have been discharged" (Appeal file, No. 66 [MS.]).

²⁰ Proceedings, 1906, pp. 266, 267.

²¹ President's letter book [MS.], Vol. 51, p. 714.

²² "All the reasons on which a discharge can be based cannot be specified in International law. The four principal reasons are given but it must be conceded that there are many offences not enumerated that would warrant discharge" (President's letter book [MS.], Vol. 59, p. 919).

²³ President's letter book [MS.], Vol. 38, p. 317.

a case where an employer discharged a workman who was about to set up in business for himself on the ground that he was canvassing among the employer's customers and acquiring a knowledge of the employer's business which would be useful to him as a competitor, the International president held that the discharge was proper.²⁴

Promotion.—Since the institution of the "subbing" system, it has been customary, as regular situations become vacant, for foremen to promote substitutes. When foremen passed over substitutes who had worked in the office for some time and gave the situations to new comers, or, perhaps, to men who were not working in the office, many members of the union felt aggrieved. This led to the insertion in the "priority law" of 1890 of the clause declaring that "if a workman is competent to sub in an office, he is competent to hold a regular situation." The opinion of the union that substitutes had a preferential right to vacant situations was thus formally expressed; but foremen were not required to give them the situations.

Almost immediately, agitation was begun for the enactment of a positive provision. At the session of the International in 1891, a delegate proposed to add to the "priority law" the following clause: "If a workman be deemed competent to sub in an office after one month's trial, he is competent to hold a regular situation; therefore, the priority of subs must be recognized in giving out situations." This rule, if it had been adopted, would have required the foreman to give a vacant situation to the substitute who had been longest in service. A division of opinion existed, however, among the advocates of this measure as to whether the principle of priority should be observed also by regulars in employing substitutes. Some con-

²⁴ President's letter book [MS.], Vol. 59, p. 919.

tended that if length of service in an office entitled a substitute to promotion, it ought also to give him a preferential right to share the work of the regular. If this view had prevailed, regulars would have been required to give work to the substitute who had been longest in the office, or, if he was engaged, to the substitute next oldest in service. Other members contended that if the principle of priority was thus extended, a "sub-list" would be created, and the distribution of work would be limited. On account of this difference in opinion, the whole proposal was defeated.²⁵

The sentiment in favor of requiring the promotion of substitutes according to priority was too strong to be long restrained by quarrels over the extent to which the principle should logically be carried. In 1892 the advocates of "sub-priority" united in carrying the main issue; and the "priority law" was amended so as to require the recognition by foremen of the "priority of competent substitutes in giving out situations and extras."²⁶ The result was disappointing. Substitutes who had before been allowed to work, although not regarded as eligible for regular situations, were now refused the privilege of "subbing", since the foremen did not wish them to acquire a claim to a regular situation. The depression in business and the introduction of the linotype combined at this time to make the union more than ordinarily desirous of facilitating the distribution of work; and at the session of 1893 the whole "priority law" was repealed.²⁷ A year later, when the rule was reënacted, the section relating to the priority of substitutes was amended into the old declaration that a workman competent to "sub" was competent to hold a regular situation.

²⁵ *Typographical Journal*, Vol. 3, no. 5, p. 2; Proceedings, 1891, p. 177.

²⁶ Proceedings, 1892, p. 135.

²⁷ *Ibid.*, 1893, p. 155.

With the passing of the industrial depression, the subject was again revived; and in 1899 the International definitely required that substitutes should "be given the preference in the filling of vacancies in the regular force."²⁸ The new rule was variously interpreted. Many local unions construed it to mean that foremen must fill vacancies in the regular force from the substitutes and not with outsiders, but that any one of the substitutes might be selected. Under this interpretation, a foreman might keep an employee indefinitely in the position of substitute. Other local unions required foremen to give out situations to the substitutes according to the length of service. At the session of the International in 1902, President Lynch authoritatively interpreted the rule to require that the "oldest competent substitute" should have "the first situation given out";²⁹ and in 1906 the Union incorporated the substance of this decision in a new rule, as follows: "The competent sub oldest in continuous service is entitled to the first vacancy."³⁰

The specialization of the workmen has been recognized also in interpreting this rule. By competency in this connection, therefore, is not meant general competency, but competency in the "department" in which a situation is vacant. The "priority law" in express terms declares that a member who is competent to "sub" is competent to serve as a regular, but a substitute competent to do one class of work may not be competent to do another. President Lynch, in a letter issued as a circular under date of July 12, 1904, interpreting the rule, said: "It is not necessary under the law for a proprietor to place a machine operator in a position as make-up or proof reader, or to place a proof reader who is competent only as a proof

²⁸ Proceedings, 1899, p. 42.

²⁹ *Ibid.*, 1902, p. III.

³⁰ *Ibid.*, 1906, p. 206.

reader in the position of a make-up or machine operator, or a make-up who is competent only as a make-up in the position of a machine operator or proof reader." Under the system of "limited priority" now in force it is charged that foremen evade the intent of the rule, and by shifting regulars from "department" to "department" make a vacant situation in a "department" in which the "oldest sub" is not competent. It has been urged that the "oldest sub" should be given an absolute right to the first vacant situation, but the Union has not been willing to eliminate the requirement of "departmental competency."

Wherever the "priority law" is enforced in its entirety and without evasion, the power of the foreman to discriminate between merely competent and better men is seriously diminished. A publisher in a city where the rule is strictly enforced thus described its working: "The foreman, under the operation of the priority law is nothing more than a clerk; he has been denied the right to hire help. The act of subbing is a voluntary one on the part of the "sub." He reports on the floor for work and by this act establishes his seniority or priority in the office. When a vacancy occurs, the foreman has no discretionary power. He must put to work the substitute longest in the employ of the office regardless of his efficiency, reliability, or personal decorum. The "sub" becomes the regular not through choice of the directing foreman but by his own act of reporting for work."³¹ This description is not entirely accurate, for foremen are allowed considerable freedom in barring substitutes when they begin to work in an office. But when a substitute has worked for some time in an office his discharge must be "for cause."

³¹ Proceedings, 1904, p. 136.

No part of the union's trade policy has met more serious criticism within the union than the "priority law",³² and the opponents of the rule have brought out with great clearness its more important results as follows:

(a) The power of men of superior efficiency to secure employment in preference to workmen of fair skill is greatly lessened. A workman out of employment, no matter how efficient he is, must begin at the end of the "sub" line and must live by what work he can get from his fellow workmen. His promotion to the position of a regular is not hastened by his superior efficiency.

(b) The incentive to high efficiency on the part of the workman is lessened, since both tenure and promotion depend merely upon a workman's maintaining an average standard of competency.

(c) The employer is less likely to pay superior workmen more than the minimum rate, for, if they leave his service, they must begin at the bottom of the list in some other office. He may pay more to some men in the hope that the higher wage will stimulate to higher efficiency; but he is not forced to do this by the competition of other employers for their services.

(d) The distribution of work is curtailed, for the foreman is unwilling to permit inferior men to "sub", for they would thus acquire "priority" in the office.

(e) Finally, the mobility of labor is decreased. A substitute with "priority" in one office cannot accept a situation in another office without losing his "priority" in the first. He therefore remains where he is, although the other situation may be better for the time being.³³

³² In March, 1908, the New York union requested that the repeal of the rule should be submitted to a vote of the membership and the endorsement of the requisite fifty unions was secured. The proposal was lost, 14,643 members voting for repeal and 17,136 against. (*Typographical Journal*, Vol. 32, p. 645).

³³ In some cities, provision is made that a substitute may take em-

The effects of the "priority law" in the directions indicated are as yet slight, since the rule has been fully laid down only within very recent years, and, more important still, only a part of the local unions have applied themselves enthusiastically to its enforcement. In the book and job shops the rule is not enforced, except that discharge must be for good cause. Each year, however, a larger number of local unions find themselves obliged by the pressure of opinion to enforce the rule fully in the newspaper offices. A curious difference of opinion exists as to how far the rule is really effective in preventing the foreman from selecting his force. Unionists in cities where the rule is loosely enforced or evaded regard it simply as a device by which foremen may be more effectively prevented from discriminating against workmen on personal or union grounds. In such unions a foreman is allowed to discharge and hire at will as long as he does not show favoritism. In many other local unions, the full doctrine involved in the "priority law" is accepted. A union, according to this view, should do much more for its members than to raise wages and reduce working hours. Security of position and promotion according to length of service are regarded as aims of the newer unionism. The discharging of one man merely because a better one can be had is looked upon as one of the forms of industrial oppression which it is the duty of the union to overthrow.

ployment in another office for a limited period without losing his "priority."

CHAPTER XIV

THE EXCLUSIVE RIGHT TO THE WORK OF THE TRADE

At the beginning of the nineteenth century a journeyman printer was ordinarily able to do all parts of the work necessary for the production of printed matter, although in the larger offices even at that time some workmen were employed exclusively as compositors and others as pressmen. As the volume of production and the size of the offices has increased, and as machinery and new processes have been introduced, the work of the large printing office has come to be divided among many different classes of workmen. Some of these do work which is so different from that of the printers that they are recognized as belonging to separate trades. The line of demarcation between an allied but distinct trade and a branch of the printers' trade, however, is not always clear. For instance, although the work of the pressman has been generally recognized as a separate craft since the introduction of power presses, even now in small offices the same journeyman who sets type also at times minds a press. But, despite a certain amount of overlapping, it has been readily conceded that the pressmen, stereotypers, and electrotypers, photo-engravers, and mailers are engaged at work for which the printers are not trained.

The work of the printers' trade was for many years clearly defined. It consisted of the composing, the making up, and the imposing of matter. These operations were intimately connected with each other. In order to be an efficient make-up man, for instance, a workman must also be a compositor. So free was the trade from the intrusion of the workmen of other trades and of un-

skilled workers, that the union for many years did not feel it necessary to define the work which belonged exclusively to printers. The jurisdiction of the union was in fact conceived not primarily as extending over the persons who were performing certain kinds of work, but as extending over the persons in the office who were printers by training.¹

Since about 1894, however, the union has enacted a considerable number of rules requiring that only printers shall be employed to do certain kinds of work in the composing room.² The enactment of these rules has been due to such a variety of causes that the action of the union can only be fully understood by examining the circumstances surrounding the enactment of each of the rules. A prime factor in the development of such regulations has been, however, the introduction of typesetting machines. The division of labor in the large offices has been much increased thereby, and it is entirely possible for the workmen in several of the groups to discharge their duties satisfactorily, although they know little or nothing about the work of the men in the other groups. The union is fearful, therefore, of the intrusion into these positions of persons who are not printers, but have picked up some one branch of the trade. It will, therefore, be most convenient in describing the rules to follow the division of labor in the large newspaper offices, where it is most advanced.

¹ See below, p. 246.

² In only one of these cases, that of the machine operators, does the International formally provide that "practical printers" must be employed; but the same end is reached by rules which require that only members of the union may fill certain positions, for, to become a member of the union, a candidate must be a "practical printer." See below, p. 302. The only exception to this rule is in the case of the machine tenders, who may be machinists by trade. See below, p. 252.

The workmen in such offices are classified according to the work they perform as follows: copy cutter, machine operators, machine tenders and their helpers, "ad. men", bankman, proof-press operator, proof readers, copy holders, correctors, and make-up men.³ That certain of these positions must be filled by printers has never been disputed. The "ad. men", who set advertisements by hand, and the make-up men, who put the matter together into forms, do kinds of work which have been fundamental in the trade for generations. The copy cutter, who divides the copy into sections and distributes it among the machine operators and the "ad. men", is in all offices a "practical printer." The policy of the union with reference to the exclusive employment of printers will be described separately for each of the other classes.

Machine Operators.—The chief part of the union's policy with reference to the introduction of typesetting and typesetting machines was the requirement that the operators of these machines should be "practical printers." The evolution and results of this rule have already been described.

Proof Readers.—Until recently proof reading was not considered by the unions part of the work of the printer, although in many offices, especially newspaper offices, some or all of the proof readers were printers.⁴ The question whether employers should be required to employ

³ In addition some offices employ boys to carry copy and matter from one class of workmen to another.

⁴ In the newspaper offices, the knowledge which a proof reader requires is of much the same character as that of a compositor. In book and job offices, the proof readers who do special lines of work are frequently required to have a considerable acquaintance with the particular subject which they read. The general technical training of the printer is, therefore, of more importance relatively in newspaper proof reading. It was for this reason that printer proof readers were more numerous in the newspaper offices.

printers as proof readers has been under consideration by the union since the Civil War. In 1864 a memorial presented to the National Union by the St. Louis local union recited that proof reading had "become of sufficient importance to justify the employment in many offices of one or more proof readers who are or ought to be practical printers." These printers, in the opinion of the St. Louis union, were "entitled to the rights and protection extended to their brethren employed in other branches of the craft." The National Union found, however, such great "differences in opinion and usage" that it decided to leave the matter to local unions for determination.⁵

A few local unions required that proof readers should be printers; but the majority of the unions, while allowing non-printer proof readers to be employed, required members of the union who obtained employment as proof readers in union offices to retain their membership. This method of dealing with the matter was unsatisfactory. A printer proof reader was not allowed to work for less than the rate of pay prescribed by the union for printers, he had to pay dues to the union, and if a strike was ordered, he had to leave his work; but the union did not set a minimum rate for proof readers, and the union proof reader might be underbid in a union office by non-unionists.

The problem presented was a difficult one. The union was reluctant to allow printers who took positions as proof readers to withdraw from membership, since it thereby lost their support. On the other hand, the unions could not easily enforce a standard rate for proof readers, unless it required that all proof readers in union offices should be members of the union. This would have been difficult since many non-printers were employed as proof

⁵ Proceedings, 1864, pp. 60, 62.

readers. To have forced the discharge of these workmen would have involved the union in strikes. On the other hand, it was against the settled policy of the union to admit non-printers to membership.

The introduction of the linotype greatly intensified the desire of the union to secure the exclusive employment of printers as proof readers. Newspapers were enlarged on account of the cheapness of machine composition, and the number of proof readers employed was much increased. Moreover, a considerable number of displaced unionist hand compositors had found employment as proof readers. The International Union in 1893 recommended to subordinate unions that they should "put forth every effort" to control the proof rooms, especially in newspaper offices, and in 1896 adopted a rule that the International Union should protect proof reader "members from non-unionists underbidding them or offering to work under the existing scale."⁶ President Prescott in his address to the session of 1898 urged that the time had now arrived for definite action by the International. He suggested that the union might require either that all future vacancies in the proof rooms of union offices should be filled with printers or that the non-printer proof readers then employed should join the union. The union adopted the latter plan and provided that, for a period of six months after July 1, 1899, non-printer proof readers of four years' experience were to be admitted to the local unions. After January 1, 1900, all proof readers in union offices were to be members of the union.⁷

⁶ Proceedings, 1893, p. 166; *Ibid.*, 1896, p. 110.

⁷ *Ibid.*, 1898, pp. 12, 100; *Typographical Journal*, Vol. 14, p. 95. The executive council of the International decided that non-printer proof readers might be admitted even if they had not had four years' experience (*Typographical Journal*, Vol. 16, p. 95; Proceedings, 1900, p. 72).

No great difficulty was encountered in enforcing the jurisdiction of the union over proof readers. The question was one of the issues involved in the Pittsburg strike of 1899, in which the International lost control of all the Pittsburg daily newspapers except one. A few employers, particularly in the book and job branch of the trade, objected to being restricted to printers in their choice of proof readers; but in only a few offices was there active opposition. For some time after January 1, 1900, the local unions were permitted, if they saw fit, to admit non-printer proof readers, but they were reluctant to do so except where some special advantage was to be gained. The International in 1901 instructed subordinate unions "as far as possible to control proof reading positions for printer proof readers."⁸ In other words, local unions were advised to admit no more non-printer proof readers. In 1902 the International took the final step by requiring that proof readers to be admitted must be "practical printers."⁹

Machine Tenders.—In large offices the typesetting and typesetting machines at which the operators work are kept in repair by a specialized class of workmen, known as machine tenders. When the machines were introduced, machinists were employed as machine tenders, and many of them were members of machinists' unions. In the new and untried conditions surrounding the introduction of the linotype, the Printers felt that the support of the tenders might be important. In 1892, when only a few machines had been installed, the officers of the Typographical Union proposed to the National Machinists' Union to enter into an agreement for joint action in case either union was involved in a difficulty with an employer.

⁸ Proceedings, 1901, p. 135.

⁹ *Ibid.*, 1902, pp. 125, 133, 146.

Negotiations were broken off because the Printers were unwilling to agree to actively aid the Machinists in unionizing the linotype factories.¹⁰ The Typographical Union, however, instructed its subordinate unions to require that in union offices machine tenders must be members of local machinists' unions.¹¹

As the machine came more widely into use and the operators began to be familiar with its mechanism, the Printers began to hope that the tending of the machines would gradually fall into their hands. The case of the pressmen, who without training as machinists manage highly complicated machines, was frequently cited.¹² The International officers were much impressed by this view, and, when instructed by the session of 1894 to "effect a working agreement" with the Machinists,¹³ insisted in the negotiations on the insertion of a provision that members of the Typographical Union should be allowed to work as machine tenders if employers desired to have them. The Machinists were willing to concede that point if the Printers consented to allow machinists to work as operators. An agreement embodying these provisions was

¹⁰ A difficulty at this time in the way of entering into any closer alliance with the machine tenders was the existence of several national organizations of machinists. The most powerful of these, the International Association of Machinists, was not then affiliated with the American Federation of Labor. If the Typographical Union had concluded a treaty with the much smaller National Machinists' Union, it would have been embroiled in the disputes between these unions (Proceedings, 1893, p. 18).

¹¹ Constitution and General Laws, 1893, section 143.

¹² In 1894 President Prescott in his address to the session of the Union said: "In fact, we may expect to see the day when operators will be required to take charge of their machines, the machinist only being called in to repair some serious mishap."

¹³ Proceedings, 1894, pp. 26, 38. By this time the International Association of Machinists had become practically the only important union of machinists and the negotiations were carried on with that organization.

submitted to the membership by the officers of the Typographical Union and rejected by a heavy majority.¹⁴

Several points of friction soon developed between the Printers and the Machinists. As the use of the linotype extended, it became customary in small offices for the operator to tend his own machine, or for one of the operators to tend all of the two or three machines. The expense of hiring a machinist was thus saved to the office. The Machinists objected strongly to this practice and maintained that the work of tending the machines belonged exclusively to machinists.¹⁵ Moreover, the local typographical unions complained that the tenders exacted from employers unreasonably high wages and imposed harsh working conditions, and that, in order to preserve friendly relations, they were forced to support the demands of the tenders. The discipline of the composing room, it was said, was impaired by the division of authority between two unions.

Influenced by these complaints, in 1896 the session of the International repealed the rule requiring machine tenders in union offices to be members of machinists' unions, and instructed the local typographical unions to insist that all machine tenders should "be selected, whenever possible, from the members of the local typographical unions." The local unions were also required to fix a rate of wages for such positions.¹⁶ Machinists who held situations as machine tenders were allowed to retain them, but the

¹⁴ *Typographical Journal*, Vol. 6, no. 23, p. 6; Vol. 7, no. 3, p. 2; Proceedings, 1896, p. 10.

¹⁵ The local machinists' unions ordinarily attempted to establish the rule that a machinist must be employed in plants of three or more machines. Many of the local typographical unions, at present, forbid a member to work both as an operator and as a machine tender in such plants.

¹⁶ Proceedings, 1896, pp. 107, 126; *Typographical Journal*, Vol. 9, p. 155.

rules explicitly authorized the employment of printers as machine tenders whenever employers were willing to hire them. Moreover, operators were allowed to serve also as machine tenders. The Machinists were much incensed by this action,¹⁷ and all hope of an agreement was abandoned.

As early as 1894, President Prescott had declared "his firm conviction that the interests of all would be best subserved by requiring that machinists, or machine tenders, should affiliate with the Typographical Union."¹⁸ By 1898 the Typographical Union had come to the same conclusion, and the session held in that year determined to assume jurisdiction over the tenders. Until July 1, 1899, non-printer machine tenders were to be admitted to membership by subordinate unions, and after that date all machine tenders in union offices were to be members of the Typographical Union.¹⁹ Little difficulty was encountered in carrying out this plan, for the Machinists had no effective means of resistance. They advised their members employed as machine tenders to refuse to join the typographical unions; but the tenders were better paid than most other classes of machinists, and they were desirous of retaining their situations. The number of machine tenders was so small that, even if they had all refused to join the typographical unions, the Printers could easily have filled the places with their own members and with non-union machinists. The employers, as a class, were willing and even anxious to have the machine tenders under the control of the Typographical Union.²⁰

¹⁷ *Typographical Journal*, Vol. 10, p. 438; *Machinists' Monthly Journal*, Vol. 9, p. 273.

¹⁸ Proceedings, 1894, p. 3.

¹⁹ *Ibid.*, 1898, pp. 12, 133; *Typographical Journal*, Vol. 14, pp. 95, 415.

²⁰ *Typographical Journal*, Vol. 15, pp. 36, 53, 150, 373, 386, 456; *Machinists' Journal*, Vol. 11, pp. 331, 402.

The chief purpose of the Printers in assuming jurisdiction over the tenders has been accomplished. They have definitely rid themselves of the difficulties which grew out of the division of authority in the composing room between two unions. But the hope that printers would be employed as machine tenders has been realized only in part. In the larger offices, the tenders are nearly all machinists, and the local typographical unions still admit to membership machinists whom the employers wish to hire.²¹ The union has never attempted to force employers to hire printers as machine tenders. The union has secured, however, for printers, as against the claims of the Machinists, the privilege of tending the machines if the employer wishes to hire them. This has been an important advantage to the typographical unions in obtaining employment for their members in small offices as operator machinists. There has been in recent years a rapid increase in the number of such workmen. The following table shows the number of operator machinists and machine tenders employed in the jurisdiction of the local typographical unions for different years as reported to the secretary of the International:

	1901			1905			1908		
	Union	Non Union	Total	Union	Non-Union	Total	Union	Non-Union	Total
Machine Tenders....	475	73	548	712	81	793	673	151	824
Operator Machinists	730		730	1186	78	1264	1345	277	1622

From 1901 to 1908 the number of operator machinists, it will be noted, increased about 120 per cent, while the number of tenders increased only 70 per cent. The increase in the number of small plants of one, two, or three

²¹ In nearly all the larger offices, there are machine-tender apprentices, and the machine tenders are now recruited chiefly from these.

machines is likely to make the operator machinist an increasingly important factor in the developing use of the machine. Nearly all of the operator machinists are printers, and it will be noted that the percentage of unionists is very large.

Bankman, Correctors, and Proof-Press Operator.—The positions which the bankman, the proof-press operator, and the correctors occupy in the division of labor within the newspaper office are alike in that these workmen together serve to connect the four large groups of skilled workers, *i. e.*, the operators, the “ad. men”, the proof readers, and the make-up men. The bankman receives the matter set by the machine operators and assembles it into complete articles. A proof is then taken by the proof-press operator. When the errors have been marked by the proof readers, the machine operators make new lines for the ones in which mistakes occur. These are inserted by the correctors.²² The matter then passes on to the make-up men, who arrange it into pages. Compared with the workmen in the larger divisions, the bankman, proof-press operator, and correctors perform highly specialized operations. They need, therefore, comparatively little of the general training of the printer, although the bankman and correctors must possess a considerable degree of general intelligence. The International has never required by an explicit rule that any one of these positions should be filled by a printer. The local unions, however, usually insist that bankmen and correctors shall be printers, but employers are allowed by practically all the unions to employ unskilled workmen as proof-press operators.

²² The correctors are frequently known as bankmen. There are two banks in a newspaper office, “the dumping bank”, where the matter is assembled into articles, and the “correcting bank”, where new lines are inserted.

Copy holders.—The method of reading proof ordinarily practiced in printing offices requires that the proof reader shall have an assistant, who is known as a copy holder. As the copy holder reads aloud from the copy the proof reader reads the proof and marks the corrections.²³ Under the rules of most of the local unions, employers may hire unskilled workers as copy holders, and the work is usually done by boys. In a few of the larger unions, notably in New York, the employers are required to hire printers as copy holders. Several proposals have been made in recent years to have the International Union make a rule to the same effect, but so far without success.²⁴

Machine Tenders' Helpers.—In a large composing room, unskilled laborers may be profitably employed in doing the simplest part of the machine tender's work, such as cleaning the machines and filling the pots with "metal." Many of the local unions after the extension of jurisdiction over machine tenders prohibited the employment of such helpers. An International rule requiring that all "assistants to machine tenders" should be members of the union was interpreted to mean that all the work of tending the machine should be done by members of the union at the rate of pay prescribed in the scale for machine tenders. The publishers complained that they were thereby forced to pay machinists to do the work of unskilled laborers. In 1905 the International Union declared in a rule that unskilled helpers might be employed for such purposes, but that not more than one helper might be employed for "each fifteen machines or fraction thereof."²⁵

²³ Another method is for the proof reader to read aloud from the proof while the copy holder follows in the copy.

²⁴ *Typographical Journal*, Vol. 11, p. 3.

²⁵ Proceedings, 1905, p. 231.

Caster Operators.—The monotype, a widely used typesetting and typesetting machine, consists of two parts. The monotype operator works at a keyboard and perforates a strip of paper. This is then passed through the caster, so called because, directed by the perforations, it casts the type. Some of the local typographical unions require that employers shall hire only members of the union to attend the casters, and that the caster operators, as the workmen filling these positions are known, shall be paid at the same rate as machine tenders. In other unions an unskilled worker, usually a boy, is allowed to run the caster under the supervision of an operator machinist. In 1907 President Lynch, after a conference with the manufacturers of the monotype, recommended to the session that unskilled workers should be allowed as caster operators in small offices, but the session declined to make an International rule and instructed the executive council to investigate the matter further and to report its conclusions to local unions.²⁶

From the foregoing description of the rules relating to employment at the trade, it is evident that the Printers are anxious to maintain, as far as possible, that all the work of the composing room is the work of a single skilled trade. There are two reasons for this policy. In the first place, the union desires to provide as much work as possible for printers. Secondly, it is fearful that the trade will be broken up into specialized branches. Many other rules of the union have their origin in the same desire to avoid the breaking up of the trade. Such are the rules relating to the training of the apprentices and the prohibition of the operation of the linotype by apprentices until the last three months of their apprenticeship. The

²⁶ Proceedings, 1906, pp. 204, 269; *Ibid.*, 1907, pp. 16, 251; *Typographical Journal*, Vol. 32, p. 56.

objection to the formation of separate local unions of the workers at different branches of the trade has its root in the same feeling.

An important consequence of the principle that all the branches of work under the jurisdiction of the union constitute a single trade is the rule that a printer may pass from one branch of the trade to another at will. Only once, and then for a short time, has this right been abridged. When the non-printer proof readers and machine tenders were admitted to membership in 1899, they were allowed to work only at the branch of the trade at which they had been employed prior to admission.²⁷ A year later the session of the International submitted to a vote of the membership a proposition to abrogate this provision.²⁸ It was defeated by a small majority, but the next session of the International struck out the provision. In his annual address to the session of 1901, President Lynch held that non-printer members might work at any branch of the trade and his decision was sustained by the session.²⁹ In 1902 it was proposed to debar non-printer members from serving as "learners" on machines, and more specifically to forbid machine tenders from operating machines. Both proposals were intended to prevent machine tenders who were machinists by trade from operating machines, and both were defeated.³⁰

²⁷ Proceedings, 1898, pp. 134, 141.

²⁸ *Ibid.*, 1899, p. 13.

²⁹ *Typographical Journal*, Vol. 15, p. 195; Vol. 16, p. 95; Proceedings, 1900, p. 72; *Ibid.*, 1901, pp. 103, 152.

³⁰ Proceedings, 1902, pp. 116, 131.

PART III
THE ENFORCEMENT OF TRADE
REGULATIONS

CHAPTER XV

THE RESOURCES OF ENFORCEMENT

For the enforcement upon employers of the union trade regulations, the Printers rely upon two resources: (a) the control by the union of the workmen in the trade, (b) the power to divert patronage from employers who do not observe the regulations.

Control of the Workmen.—The possibility of obtaining an effective control of the existing supply of workmen is much greater in the printing trade than in many others, since a considerable period of training is necessary before a workman becomes a competent printer. At any given time, the number of persons available to do printers' work is practically limited to those who are working at the trade. The typographical unions have always shown themselves sensible of the fact that the ability of the union to enforce its rules is chiefly dependent upon its success in obtaining a more or less complete monopoly of the existing supply of labor in the trade.¹

To establish anything approaching complete control is, however, peculiarly difficult in the printing trade on account of the wide dispersion of the industry, for in many towns the printers are so few that it is impossible for them to form unions.² The work of obtaining con-

¹ At one of the earliest meetings of the New York society, on July 29, 1809, the following resolution was unanimously passed: "The members of the society are earnestly recommended to exert themselves in augmenting our numbers . . . to the end that we may effect our grand purpose, the raising and establishing of prices."

² The International Union will not grant a charter for a local union to less than seven printers. It has been found that smaller unions are ineffective.

trol of the supply of printers has consequently resolved itself into three parts: (a) the bringing into membership by each local union of the printers at work within its territorial jurisdiction; (b) the formation of new local unions; (c) the attachment of printers at work in places where unions do not exist or cannot be formed.

(a) The task of bringing into membership unaffiliated printers at work within the jurisdiction of a local union has usually been left to the local union. It frequently happens, however, that, on account of weakness, a particular union is not able to bring into membership the printers within its jurisdiction. Since the unaffiliated printers in such cities constitute a source of supply for employers in other cities who do not wish to observe union trade regulations, they are a matter of concern to the local unions as a whole. In the case of the smaller local unions, the officers of the International frequently give aid in their attempts to increase their membership, and in recent years it has become common even for large unions to receive help from the International for the same purpose. A more difficult problem is presented when a local union does not desire to bring into the union the printers within its jurisdiction. In 1898 President Prescott recommended that where such a condition existed the executive council should be authorized "to invade the territory of a local union, suspend all laws regarding the admission of applicants, and proceed to thoroughly organize the city." The International Union up to the present, however, has been unwilling to consent to such a rule.

(b) From the beginning of the century the employing printers, in any time of difficulty with the local unions, have customarily obtained a supply of workmen from the unorganized towns. In 1803 certain Philadelphia mas-

ter printers, unwilling to accede to the demands of the society, advertised for "young men from the country",³ and in 1807, during a strike in New York for higher wages, the secretary of the New York society wrote as follows to the president of the Philadelphia society: "Circular letters have been sent throughout this state, Connecticut, and Massachusetts with a view to supply the daily papers with hands in the first instance and afterwards the book offices."⁴ In 1864 the session of the International declared in a formal resolution that "all printers, associated together in typographical unions on occasions of strikes, invariably suffer annoyance and often defeat through the importation of young men from small country towns, commonly known as country printers."⁵ In 1882 the president of the International said: "The country newspaper office is the real source from which non-union establishments are recruited, and this business has assumed such proportions that the supply is inexhaustible."⁶ The current numbers of the *Typographical Journal* discuss the problem of the "country printer."

The local unions have thus a common interest in establishing new unions and thereby limiting the sources of supply for "unfair" employers. For many years, however, each new local society or union came into existence spontaneously or as the result of missionary zeal on the part of some local union or its members. The organizing of new unions was not one of the functions proposed for either the National Typographical Association in 1836 or the National Typographical Union in 1852. The International Union occasionally recommended that the local unions should endeavor to organize unions in

³ See above, p. 16.

⁴ See Appendix 2.

⁵ Proceedings, 1864. p. 81.

⁶ *Ibid.*, 1882, p. 12.

neighboring cities; but until 1882 it did not undertake organization work on its own account.⁷ According to a plan adopted in that year, the International president was to appoint in each state a "deputy", who should endeavor by correspondence to form local unions. The deputies entered upon the work with enthusiasm, and a year later the president of the International commented with satisfaction upon their activity, but pointed out that they were unable to effect much, since no provision had been made for the payment of their expenses and little could be accomplished by correspondence.

In 1884, when the rising tide of trade unionism was bringing many recruits into the local unions, the session decided to employ a "chief organizer", who was to appoint the deputies and direct their work. Also, the deputies were to be paid for the time spent in organizing.⁸ This plan worked successfully. In 1888, when the International was reorganized, it was decided to give the president charge of the organizing work. Other changes were also made in the system. The territory within the jurisdiction of the International was divided into seven districts; and it was provided that an "organizer" should be elected yearly for each district by the delegates from the local unions in that district who were present at the session of the International Union. The

⁷ The more aggressive members had often urged unavailingly the desirability of united action in this direction. A resolution presented to the session in 1877 provided for the employment of a paid organizer who "should personally visit large cities and towns where no unions exist, and by distributing tracts containing our principles endeavor to arouse a union sentiment throughout the country that will bring all the printers within our jurisdiction into one fold." The committee to which the proposal was referred approved the aim of the resolution, but was unwilling to recommend an increase in taxation to provide the necessary funds. In 1878 the question was again discussed and a similar conclusion reached.

⁸ Proceedings, 1884, pp. 75, 76, 77.

organizers have always been chiefly occupied, as the agents of the executive council, in settling disputes between local unions and employers, and spend only a small part of their time in forming unions. The changes from time to time in the method of appointment and in the number of organizers have consequently been made almost solely with a view to increasing the efficiency of the staff as agents in conducting negotiations.⁹ Moreover, the organizers are selected with reference to their ability as negotiators rather than as propagandists. It has been suggested at times that better results would be achieved if the work of organizing were committed to a separate staff. In 1892 and 1894 President Prescott urged unavailingly the appointment of a travelling organizer who should devote his entire time to forming new unions and to strengthening the weaker ones. The expense of maintaining separate staffs for the two purposes would be very large, and has never since been seriously considered.

The success of the International in establishing and maintaining a local union in any place is directly conditioned upon the size of the city. Speaking very broadly, it is hardly possible to maintain a local union in a city of less than 10,000 population, unless, of course, one or more of the printing establishments do something beyond a local business. In May, 1900, there were typographical unions in 367 cities within the jurisdiction of the International. Of these, 350 were in the United States. According to the census of 1900 there were 517 incorporated cities of 8000 inhabitants or more in the United States. Even in a prosperous year a considerable number of the small unions surrender their charters, and many members of the union contend that the

⁹ For an account of the changes in the method of appointment of organizers, see below, pp. 329-331.

expenditure of money and energy in organizing and re-organizing unions in small cities is ill-advised; but the officers have always maintained that the "country printers" are thus educated in the principles of unionism, and that constant efforts are necessary to prevent the disastrous effects of their competition.

(c) Plans have frequently been proposed for attaching individual printers in unorganized towns either to a local union or directly to the International. It has been urged that the printers so affiliated would serve as outposts of the union, and in times of difficulty would be of service in blocking the efforts of employers to secure workmen. In 1864 the National Union worked out the first of many plans looking to this end. Printers in unorganized towns were to be taken into "conditional membership" by the local unions. Such members were to pledge themselves, in general, "to do all in their power to maintain and enlarge the union influence which exists in this country," and, specifically, "not to respond to any advertisement or other call from a locality where there is a union without having first ascertained through reliable union sources that such response would not be incompatible with the interests of the craft." The local unions were combined for the purposes of the plan into eight districts. The largest union in each district was to elect a "district canvasser", who was to secure conditional members. Each local union in the district was to assess its members ten cents monthly for the payment of the expenses of the canvasser. Apparently no district canvassers were appointed, but a few local unions did take some printers into conditional membership. In 1865 each local union was made an independent agency for affiliating "country printers", and was ordered to levy a tax of ten cents monthly on each of its members for car-

rying on the propaganda. Few, if any, of the local unions paid the slightest attention to this injunction, and in 1867 the conditional membership plan was abandoned.¹⁰

When the appointment of state deputies was authorized in 1882, they were empowered to receive applications for membership from printers in unorganized towns. If the application was approved by the chief organizer, a certificate of "provisional membership" was issued, and the member was attached to the nearest local union. The provisional membership plan was opposed by many on the ground that it led "country printers" to go to the cities and thus flooded the labor market.¹¹ As a matter of fact, from 1884 to 1887, only 111 certificates were issued.¹² A better founded objection was that expelled members could readily obtain readmission to the union if they were at work in unorganized towns. It was provided in 1888, therefore, that the applications of candidates for provisional membership should be passed upon in regular manner by the nearest local union. In 1893 certain changes were made with a view to increasing the number of provisional members.¹³ The chief of these was that such members were no longer required to affiliate with a local union and to pay local dues. Since then, a member in an unorganized town pays an initiation fee of \$2 and only International dues and assessments. He is thereby entitled to International benefits.

The number of members in unorganized towns has always been small. In 1908, for instance, only 150 were admitted, and of these the greater part had once been affiliated and had allowed their membership to lapse. The

¹⁰ Proceedings, 1864, pp. 81-84; *Ibid.*, 1865, pp. 11, 13, 45; *Ibid.*, 1867, p. 9.

¹¹ *The Craftsman*, 1886-1887, *passim*; Proceedings, 1886, p. 21.

¹² Proceedings, 1887, p. 53.

¹³ *Ibid.*, 1893, p. 11.

only advantage a printer in an unorganized town derives from membership is participation in the benefits of the union. The development of International beneficiary features will therefore undoubtedly aid somewhat in increasing the membership in small towns, and the advocates of a highly developed system of mutual insurance lay great stress on the desirability of thus bringing into the union the isolated craftsmen.

Only a very rough estimate can be made as to what part of the workmen in the trade the Printers have been able to bring into the union by the various methods indicated above. The twelfth census of the United States enumerated 155,333 "printers, lithographers, and pressmen." Of these 7956 were lithographers, and 3172 were electrotypers and stereotypers. There were, consequently, 144,205 printers and pressmen. It was estimated by the Pressmen's International Union that 20,000 of these were pressmen and press feeders. There were thus, as nearly as can be estimated, 125,000 printers in the United States in 1900. During the fiscal year 1900-1901, the average paying membership of the typographical unions was 31,600. Two thousand of these were Canadians, a few hundred were machine tenders, and an indeterminate number were printers who had retired from the trade. Less, therefore, than one-fourth of the printers in the United States were in active connection with the union in 1900. Since then conditions have not materially changed.¹⁴

For several reasons, however, the control by the union of the workmen in the trade is considerably greater than the figures indicate. In the first place, the proportion of unionists to non-unionists is much greater in the large

¹⁴ See Appendix 7.

cities. Although an employer in such a city may in time of strike bring in printers from other places, it is not convenient to resort constantly to such sources of supply. Secondly, the unionists are proportionately far more numerous in the larger offices. As a result the union controls more than a proportionate number of the workmen who are skilled in the more highly specialized work of the trade. For instance, in 1908, according to returns made to the secretary of the International, 80 per cent of all the machine operators in the organized cities were unionists; and there are very few machines in unorganized places. Finally, a considerable part of the non-union printers are in sympathy with the aims of the union, and will support it in any emergency by refusing to work for "unfair" employers.

The control of the supply of workmen becomes peculiarly important to the union when a disagreement between a local union and one or more employers occasions a strike. At such a time the unions aim first of all to strengthen the loyalty of the striking members by making some provision for their support while idle. The constitution of the Philadelphia society provided that if a member should be "thrown out of employ by reason of his refusing to take less than the established prices," the board of directors might "advance on his own security and in their discretion a sum sufficient to pay his ordinary expenses." Yet no mention is made of a grant of relief on such grounds. The New York society, however, while it was establishing its first price list, gave strike relief.¹⁵ As its beneficiary activities became dominant, the society confined its relief entirely to the payment of sick and death benefits. Some of the associations formed

¹⁵ On November 11, 1809, for instance, the sum of \$6 was awarded two members "who had been thrown out of employ in consequence of refusing to work for less than the established prices."

about 1830—the New York Association, for example—made specific provision for the payment of strike relief; but others, like the Baltimore society, did not. By 1860 members of the unions had come to regard it as the duty of the union to give relief in case of strike; and since 1885 strike relief has been given in certain cases from the International treasury.¹⁶

Diversion of Patronage.—For many years after the institution of typographical societies and unions, practically the only force brought to bear upon employers was the partial control possessed by the union over the existing supply of workmen. In recent years the unions have laid increasing stress upon attempts to divert patronage from employers who do not observe the union regulations. The instruments used for this purpose have been the boycott and the label.

(a) *The Boycott.*—The use of the boycott as a means of forcing employers to agree to the regulations of the typographical unions was very rare until 1880.¹⁷ About that time boycotts were levied in every section of the country against non-union newspapers.¹⁸ There appear to have been at first a considerable number of union printers who objected to the use of the boycott, and editorials in the *Craftsman* were directed to persuading

¹⁶ See below, p. 327.

¹⁷ In 1881 the corresponding secretary of the International, recounting a difficulty between a St. Louis newspaper and the local union in that city, said: "The union by a system of warfare, which has become noted the past year by the title of 'Boycotting', succeeded in ruining the paper, which was sold under the sheriff's hammer."

¹⁸ On November 1, 1884, the *Craftsman* published a list of twenty-five papers which had been "placed on the general boycott list of all general assemblies of the Knights of Labor." In successive issues of the same journal, boycotts by local typographical unions against newspapers in places as widely separated as St. Louis, Toronto, New Orleans, New Haven, and Kansas City were chronicled.

them that it was a useful and rightful instrument.¹⁹ The boycott which excited the widest interest at this period was that levied against the New York *Tribune*. At the session held in 1884, the International Union adopted the following resolution: "Due notice is hereby given to the Republican party and its leaders . . . that no union man under the jurisdiction of the Typographical Union will support said party or its presidential nominee if countenance is given or support extended to said *Tribune* while that paper is under the control of Whitelaw Reid."²⁰ The election of President Cleveland in 1884 was claimed by some members as a victory for the union. Since that time the boycott has been used frequently by the Printers.

The boycott is ordinarily effective in direct proportion to the number of trade unionists in the locality and the feeling of solidarity which exists among them.²¹ The sudden emergence of the boycott in 1880 as an important means of enforcing the demands of the unions upon recalcitrant employers was due to the solidarity given to

¹⁹ In 1885 the corresponding secretary of the International said, "Much has been accomplished by means of the boycott and no matter how distasteful it may be to many to resort to this weapon it has proven an effective one so often that all doubts of its potency should by this time be removed from the minds of the most sceptical."

²⁰ Proceedings, 1884, p. 8. The New York union maintained for a time a weekly newspaper known as the *Boycotter*.

²¹ In 1884 the corresponding secretary of the International said: "I wish to direct the earnest attention of the members of this International body to a new element which has entered into the struggle of combined labor to sustain itself against the onslaught of capitalistic cupidity. I refer to what is generally known as boycotting. Within a few years past this force has achieved great and decisive victories for our craft, and numerous instances might be cited wherein if dependence were placed entirely upon our own resources and without the aid of others our cause would have been utterly lost."

the trade-union movement by the rapid growth of the Knights of Labor. With the decline of the Knights in numbers and their estrangement from the trade unions, the boycott lost much of its power. The Printers have probably been able to use the boycott more effectively than any other union, and they have had therefore a direct interest in building up labor federations.²² Where the local labor federations are active and strong, as in the well organized mining and industrial towns of the Middle West, the boycott is a powerful weapon in the hands of the local typographical unions.²³

The boycott is not nearly so effective against book and job offices as against newspapers. The loss of the patronage of trade unionists would seriously lessen the circulation of many newspapers, and hence impair their power to attract advertising patronage. On the other hand, the patrons of the book and job offices are chiefly

²² Since 1885 it has been an accepted principle that a local typographical union may discipline its members by fine or expulsion for willful violation of a boycott levied by a local union of another trade which has been endorsed by the local printers' union (Proceedings, 1885, p. 53).

²³ The Printers have always resented the levying of a boycott against a newspaper on the ground that its editorial policy is antagonistic to trade unions. The only good and sufficient ground for a boycott, in the opinion of the union, is that the union regulations are not observed. In 1903 President Lynch said: "Our position . . . has been that where a newspaper conducts union departments over which we have jurisdiction, that is all we can ask, and that the editorial policy is something with which we have nothing to do. A newspaper can be favorable toward trade unions or opposed to trade unions and their methods without involving us or incurring our displeasure as a union." Occasionally the local typographical unions have thus been drawn into conflict with local central unions or federations. The executive council of the American Federation of Labor has expressly sustained the position of the Printers; and in 1905 directed the New Orleans federation to remove a boycott levied against a newspaper in that city because it had antagonized the local federation (Proceedings, 1905, p. 22).

business men who are not ordinarily in sympathy with the aims of the union. For these reasons, the boycott among the Printers has been used almost exclusively against newspapers. Where, however, a book and job office is producing books or other printed matter for sale to workingmen, a boycott may force the unionizing of the office.

An account of the most important recent boycott levied by the Printers—that against the *Los Angeles Times*—will illustrate the methods employed and indicate the limitations on the boycott as a resource of enforcement. In 1890 the union printers employed by the *Times* struck, and the *Times* filled their places with members of the Printers' Protective Fraternity. The *Los Angeles* union complained at intervals to the International that the *Times* was actively antagonizing the western local unions by furnishing non-union printers to newspaper proprietors in other places.²⁴ Several boycotts managed by the local union failed, and in 1901 the International assumed charge of the campaign.²⁵

The attack on the *Times* was pressed along several lines. Subscribers were asked to discontinue taking the newspaper. As an aid in arousing sentiment, a weekly newspaper was published by the union and distributed gratuitously. A boycott was levied against the largest local advertiser in the *Times*. Out-of-town advertisers were asked to withdraw their advertising patronage.²⁶ The union aided in diverting contracts for public printing

²⁴ Proceedings, 1894, p. 28; *Ibid.*, 1896, p. 44.

²⁵ In 1902 an assessment of five cents per month for one year was levied on each member of the International for the prosecution of the boycott. Grants in aid have also been made from the International treasury. A total of about \$50,000 had been expended by the International for this purpose up to September, 1908.

²⁶ Proceedings, 1902, pp. 148-150. Members of local unions throughout the country were asked through the *Typographical*

from the *Times* to its competitors.²⁷ Mr. W. R. Hearst was requested by International President Lynch to begin the publication of a competing newspaper in Los Angeles, and in December, 1903, the Los Angeles *Examiner* made its appearance.²⁸

As a result of the campaign, the agent of the union claimed that there had been a decrease in the *Times's* out-of-town advertisements, but admitted that the union had not been able to affect greatly its local advertising patronage. The *Times* was supported by a strong and active "merchants' and manufacturers' association", and the boycott became the central point in a bitter conflict between the trade unions and the employers' association. Partly as a result of the activity of this association and partly as a result of other conditions, the trade unions in Los Angeles have for some years been weak. It became clear after a four years' struggle that the Printers were not likely to be successful in their boycott unless the whole trade-union movement in Los Angeles could be strengthened. In 1907 the session of the International instructed the executive council to ask the American Federation of Labor to aid in organizing the other trades in Los Angeles, and at the session of the Federation held in Norfolk in November, 1907, it was decided to levy an assessment of one cent per member on each of the affiliated unions in order "to combat the work of the manufacturers' associations in Los Angeles and other places where similar conditions exist." All the *Journal* to write to certain advertisers whose goods are sold in all localities, and to request them not to patronize the *Times*.

²⁷ A member of the city council who voted to award a contract to the *Times* was, partly on that account, "recalled" by petition, the first use of the "recall" in the United States (*Typographical Journal*, Vol. 25, pp. 148, 361; Vol. 26, p. 113).

²⁸ *Typographical Journal*, Vol. 26, p. 552; Proceedings, 1904, pp. 34, 48.

national unions which had local unions at Los Angeles were also urged to send organizers there.²⁹

(b) *The Label*.—The plan of placing a distinctive mark upon goods produced by unionists was borrowed by the Printers from the Cigar Makers and the Hatters. On December 26, 1885, an advertisement in the *Craftsman* stated that the United Hatters had adopted a "union label" as a result of a strike at South Norwalk, Connecticut. The Can Makers and the Cigar Makers, in the early months of 1886, solicited through the same journal the patronage of unionists for goods bearing their labels.

In April, 1886, Mr. John Franey, a member of the Buffalo typographical union, wrote to the *Craftsman* that he had made a design for a union printers' label which he would offer for adoption to the next session of the International. The design consisted of the seal of the International Union surrounded in circular form by the words, "International Typographical Union, Instituted, June, 1869." An outer circle contained the legend, "Union printers only employed on this paper." Mr. Franey suggested that, by changing the word "paper" to "book" or "job", the label could be made suitable for book or job work, but it was expected at the time that the label would be used chiefly if not exclusively by newspapers.³⁰ The label was to be imprinted from an electrotype or stereotype to be furnished by the union. The session of the International in 1886 instructed the executive council to prepare as soon as possible a "seal of suitable design to be used on all printed matter desired by the publisher and also to regulate the use of the same so that the product of union labor may be readily known by purchasers, and the demand for publications friendly

²⁹ Proceedings, 1907, p. 234; *Ibid.*, 1908, p. 32.

³⁰ *Craftsman*, May 2 and June 12, 1886.

to the cause of organized workingmen be encouraged."³¹ The president of the International reported in 1887 that Mr. Franey's design had been adopted and had been sent on to Washington for copyright.

With the collapse of the Knights of Labor and the consequent decrease in the solidarity of the labor movement, interest in the label among the Printers decreased. In a few of the larger cities, the local unions issued labels to union newspapers. No attempt to introduce the use of the label in book and job offices appears to have been made. In 1891 the executive council was instructed by the session either to "change the reading on the label or furnish a label suitable for the use of the book and job trade."³² The new label appeared on October 15, 1891, at the head of the editorial column of the *Typographical Journal*, and the officers of the International offered by advertisement to furnish electrotypes of the label for the use of subordinate unions.³³ Since 1891 the label has been of constantly increasing importance to the Printers as a resource of enforcement.

For some years after the adoption of the label the International imposed no conditions upon its use, and local unions were free to prescribe such rules as they saw

³¹ Proceedings, 1886, p. 68. In July, 1886, the Hartford local union adopted a "trademark" to be furnished to all "union papers and printing establishments in the city of Hartford."

³² Proceedings, 1891, p. 112.

³³ The label adopted in 1891 differed from the earlier one chiefly by the omission of the outer circle containing the words, "Union printers only employed on this paper." The seal of the union was retained as a centerpiece. This was surrounded by an oval with intersecting panels. The present label is essentially the same in form but somewhat simplified (*Typographical Journal*, Vol. 3, no. 8, pp. 3, 7). Since 1893 there has been issued also an allied printing trades council label for use on printed matter which is the product of the Printers and workmen belonging to one or more of the other printing trades.

fit.³⁴ It appears always to have been understood, however, that the label should be granted only to offices employing none but unionists. Since 1898 the rules of the International have expressly provided that labels can be granted only to "such employing printers as fully comply with the rules and regulations of the International Typographical Union and said local unions or subordinate bodies." A local union, for example, can not issue the label to employers who do not observe the eight-hour rule. In 1902 the session of the International provided also that a local union might not grant the use of the label if the minimum weekly wage provided by its scale was less than \$10. In 1907 the minimum rate was raised to \$12.³⁵

Until very recently the task of increasing the demand for the label was imposed entirely upon the local unions. Although the International officers from 1894 to 1900 repeatedly advised that considerable sums should be spent in advertising the label, the session steadily refused to expend International funds for that purpose.³⁶ In 1901 President Lynch began systematic efforts to incite the local unions to a more active propaganda for the use of the label, and instructions and plans for advertising the label were furnished. The interest thus aroused led the session of 1903 to authorize the executive council to

³⁴ The label is issued only through local unions and allied printing trades councils. It follows that offices which are not within the jurisdiction of a local union cannot use it. The president of the International in 1903 expressed the belief that, by issuing the label to such offices direct from International headquarters, a large increase in membership might be effected and many offices in small towns unionized. In 1904, however, the executive council reported that it was unable to devise a satisfactory plan for securing the observance of union regulations in towns where there were no local unions.

³⁵ Proceedings, 1902, pp. 16, 122; *Ibid.*, 1907, p. 247.

³⁶ *Ibid.*, 1894, p. 4; *Ibid.*, 1896, p. 9.

devise a plan for a "national label fund"; but, in view of other increases in expenditure at the time, the council believed that it would be unwise to present to the membership a proposal for an assessment for a label campaign.³⁷ The first large International expenditures for the label propaganda were made during the strike for the eight-hour day in 1905-1907, when the local unions were furnished with enormous quantities of printed slips known as "stickers." These were distributed to members and other interested persons, who were asked to attach one to any piece of printed matter without the label which came into their hands, and to return it to the issuer. On the "sticker" was a notice that the piece of matter to which it was affixed was returned because it did not bear the label. The session of 1907 indorsed the action of the officers in thus inaugurating an International propaganda:³⁸ and in 1908 the International president was authorized to employ a label agent who should devote his time to the campaign.

The use of the label by the Printers as a means of directing the patronage for goods to union offices differs in an important particular from its use by other trade unions. The labels of the Hatters and Cigar Makers are primarily intended to enable a purchaser to identify union-made goods. The chief purpose of the Printers' label, on the other hand, is to indicate to others than the customer that the work was done in a union office. This difference grows out of certain peculiarities of the demand for printed matter. Roughly speaking, we may say that newspapers, magazines, and books are produced for sale, while other kinds of printed matter are executed either for the use of the customer of the printing

³⁷ Proceedings, 1902, p. 15; *Ibid.*, 1903, p. 174; *Ibid.*, 1904, p. 128.

³⁸ *Ibid.*, 1907, p. 246.

office or for free distribution. It has been found that the boycott is a far more effective device than the label in diverting patronage from newspapers and magazines. The use of the label on books has never been of importance, although the publishers of some subscription books which appeal particularly to the working classes have found it desirable to use the label.

The demand for printed matter intended for the immediate use of the customer or for free distribution does not come largely from trade unionists. The Printers' label, therefore, if it were merely a mark of identification for the customer, would have comparatively little effect upon the direction of this patronage. The trade unions and some lodges and associations have the label placed on their printed matter because they wish to aid the Printers in enforcing their trade regulations. Under such circumstances a customer is able to make sure that his patronage goes to union offices by requiring that the label shall be placed on his printed matter. The Printers' label is, therefore, an aid to the customer in distinguishing union from non-union offices, but it is not an indispensable device for this purpose as the label is in the case of hats and cigars, where the goods are not made to order. A customer may ascertain without the test of the label whether the printing office which he patronizes is or is not a union office.

The Printers' label is chiefly useful as a device for influencing the patronage of those customers of printing offices who intend to distribute printed matter. Such customers, if they wish to conciliate trade union sentiment, may be influenced to ask that the label be placed on their printed matter. The "sticker" has, therefore, logically become the chief instrument in the propaganda for the use of the label. It calls the attention of the issuer

of printed matter to the fact that he has not shown his friendliness to organized labor and is in effect a veiled threat of boycott. The label is on this account usually found on the circulars of candidates for public office,³⁹ on baseball tickets and baseball advertising, and on the advertisements of shows. In 1908 the first vice-president of the International made a vigorous effort to induce certain insurance companies to have their printing done in union offices. In all these cases, the real force depended upon to secure the use of the label, and, as a result, patronage for union offices is the fear on the part of the distributor of printed matter that if he does not use the label he will lose the patronage of unionists.⁴⁰

³⁹ In 1908 the International Union adopted the following resolution: "Resolved, that all candidates for public office be required where practicable to have the union label on all their business as well as political printing." This on consideration appearing an extreme requirement, the resolution was amended by the substitution of "requested" for "required" (Proceedings, 1908, p. 246).

⁴⁰ A case cited in the *Typographical Journal* (Vol. 30, p. 234) will serve as an illustration. A manufacturer of musical instruments conducted also a non-union printing office. "Stickers" were sent to the musicians' unions throughout the country with the request that they return the advertising matter of the manufacturer with "stickers" attached. By this means, the printing office was unionized.

CHAPTER XVI

THE UNION OFFICE

The Printers have gradually developed the policy of not permitting the employment of their members, or, since its introduction, the use of the label, except in those offices in which (a) the trade regulations of the union are recognized by the employer, and (b) in which, also, all workmen over whom the union claims jurisdiction are members of the union. Such offices are known as union offices, and the rule restricting the employment of members and the use of the label to union offices is known as the union office rule.

The rule is not a trade regulation but a device of enforcement. By this method of using the resources described in the preceding chapter, the union aims more effectually to secure the enforcement of its trade regulations. The real significance of the rule can be best understood by considering it from the point of view of the employer. In effect, the union says: "Unless you agree as an employer to observe the trade regulations of the union, and also to hire only members of the union, you cannot hire any of its members or use the union label."

The early typographical societies had a partial control of the workmen in the trade, but their method of using this resource to enforce their trade rules was totally different from that of the typographical unions of the present day. The trade rules of the societies were binding upon their members but not upon employers. The societies did not aim to regulate the conduct of the employer's office except in so far as it might be affected by the

adherence of members to society rules. Whether the office in its relations with employees other than members of the society followed these regulations or not was a matter of no concern. The theory on which the early societies acted was that if a considerable number of journeymen agreed among themselves to obey certain trade rules, they could thereby favorably affect the conditions of employment in the trade.

The societies found this plan defective in important particulars. Their primary trade rule was the requirement that members should not work for less than a certain rate of pay; but it was found that non-members working at the trade cut the rate and made the maintenance of the society's price list difficult. On May 16, 1807, a committee of the Philadelphia society, appointed to inquire into the "present state of the art and into some irregular practices", reported that the prices received by master printers were less than had been customary six years before, and attributed the fall largely to the fact that many unaffiliated journeymen were working below the society rates. The competition had become so severe that the committee believed the prices for journeymen's labor were about to be generally reduced. They suggested that a conference should be held with the master printers, and such changes in prices made "as the nature of the times may require, and enable employers in all cases to give the preference, and, if possible, never to employ any others than members of this institution, or at least none but men who have served a regular apprenticeship." This proposal was so much at variance with the policy of the society that it was rejected by the board of directors. A proposal to debar from future membership those persons who were working below the established prices was also defeated. A committee of

the New York society reported similarly in 1810 that in certain offices persons were working at rates below that established by the society. The only action taken was to draft a circular letter to master printers "on the subject of such persons as are generally denominated half-way journeymen."

The method of enforcement through the members as individuals was even more defective when applied to the only other trade regulation which the early societies sought to enforce, that relating to apprenticeship. As has been already noted, both the Philadelphia and New York societies objected strongly to the practice, common at the time, of setting full grown men to work at press as "companions" with experienced workmen. On December 16, 1803, the following resolution was adopted by the Philadelphia society: "Whereas several employers have taken laborers at press, and thereby the business has been materially injured; therefore, resolved, that no member of this society shall be permitted to work at press with any person who is not regularly bred (bound apprentices, till 21 years of age, excepted) under penalty of expulsion." On November 16, 1808, the society forbade any of its members to "teach or assist in teaching any person in the art of printing, who may have arrived at the age of eighteen years." The New York society provided in like manner that none of its members should "take with him as a companion at press a person who is of full age with a view of learning him the business, under the pain of expulsion." The societies did not gain their end by these rules. Every one of their members might and perhaps did refuse to teach such persons, and yet they were taught the trade in the same offices by non-society workmen.

Both societies realized that the carrying out of their

plans demanded the enforcement of their trade rules upon all the workmen in the office. They might have reached this end in either of two ways. The employer might have been required, on pain of losing access to the labor supply controlled by the society, to employ only members of the society. All the workmen would then have been bound by a common rule. Or the employer might have been required, under the same penalty, to recognize the society rules as binding upon him as an employer. The proposal of the committee of the Philadelphia society in 1807, noted above, looked to the first solution—the exclusive employment of society printers. But the immediate development was in the second direction.

An abortive attempt to enforce upon the employers the payment of the society rate to all employees can be traced in the minutes of the New York society. On July 22, 1809, the society adopted the following by-law: "Neither shall he [a member of the society] engage or continue when there is a journeyman working for less than the established prices." When, however, the society attempted to enforce its scale of October 28, 1809, the members were reluctant to leave their situations merely because other workmen in the same office were not receiving the society rate;¹ and, on November 18, the rule was suspended. On December 30 the board of directors amended the rule by adding the following clause: "provided that the board of directors shall have procured him a situation equally as good as the one which he might have obtained or would continue to hold." The society

¹ One case is recorded in which this occurred. On December 2, 1809, certain members of the society who had been employed in the office of the *Public Advertiser* complained that "one Mr. Scherier had taken a situation at that office for less wages than the society had established, notwithstanding they had informed him of the necessity they should be under of leaving their situations if he persisted in his purpose."

rejected this amendment, but refrained from enforcing the rule; and on June 16, 1810, "the article respecting members being employed in an office where there was a man working for less than the established price" was finally repealed.

It is impossible, on account of lack of data, to trace the change; but in the constitution of the Baltimore society, adopted in 1832, a new policy is set forth in the following rule: "No member under forfeit of membership shall work in an office where a boy, not an original apprentice of that office, is employed for less than the list of prices demands unless the boy so employed is under seventeen years of age or shall have come from an office the proprietor of which shall have deceased or declined business; nor shall any member, under the same forfeiture, work in an office where any person or persons are employed for less than the list of prices calls for."² The trade regulations of the Baltimore society were not binding merely on the members of the society but also on the employer. If he did not obey in the conduct of his business the trade rules, he could not employ the members of the society.

Whether or not it is practicable for a local union to enforce its trade regulations directly upon the employer, depends upon its strength. If the union is weak, the maintenance of a rule debarring members from employment in offices where the trade regulations are not obeyed will ordinarily be impossible. Under such circumstances, the unions revert, as a rule, to the method of enforcement of the early societies, and the members are allowed to work in any office, provided they do not personally disobey the union rules. Under such circumstances, the only trade rule enforced upon a member is the require-

² Constitution of the Baltimore Typographical Society (Baltimore, 1832), Art. XI.

ment that he shall not work below a certain rate of pay. The unions cannot maintain rules relating to apprenticeship, hiring and discharging, the use of machinery, etc., except by enforcing them directly upon the employer.

It can hardly be said that for any definite period in the union's history it was the accepted policy to require merely that the employer should obey the union trade regulations. The plan of requiring in addition the exclusive employment of unionists is, as will be shown later, almost as old. Some unions, however, contented themselves for years with the simpler requirement. These unions distinguished offices into "fair" and "unfair." A "fair" office was one in which the employer observed the trade regulations of the union, although he might employ non-unionists.³ If, however, a local union is strong enough to enforce its trade rules directly upon the employer, it is usually able to secure also the exclusive employment of unionists and the additional advantages in enforcement which accrue therefrom.

Even in the early societies, there were rules intended to secure the employment of society members in preference to non-affiliated journeymen. From the foundation of the Philadelphia society, its officers were required to subscribe to a pledge that they "would procure employment for any member or members of the society in preference to any other when occasion requires." At a meeting of the directors on February 21, 1807, a resolution was adopted making any member liable to expulsion who procured employment for any non-member "in preference and knowing at the time of the procuring of such employment." Members were arraigned on various occasions on the charge that they had violated the rule.⁴ In

³ For a long period a "closed office" among the Printers was one in which unionists might not work.

⁴ On September 5, 1807, it was proposed unsuccessfully at a meet-

the same way, every member of the New York society promised at his admission to procure employment for a fellow member in preference to an outsider. Such rules were practically useless, and complaints that members did not obey them were frequent.⁵

The associations of printers formed about 1830 were more insistent on excluding non-unionists from employment. The New York Typographical Association in 1833 required its members "to inform strangers who come into the offices where they are employed, of the established prices, and also of the existence of the association and of the necessity of becoming members." In 1842, when the Baltimore society was reorganized, the following rule was adopted: "Every person working at the business will be required to make application to join this society, within one month from the time of his commencing work at any office in the city . . . On the refusal or neglect of any to comply with the regulations contained in the foregoing sections or in the case of the rejection of the applicant . . . *the members of this society shall cease to work in any office where such person may be employed.*"⁶

The rule requiring the exclusive employment of union-
ing of the board of directors that membership cards should be issued, and that persons without cards should not be informed of vacant situations.

⁵On March 30, 1816, a committee of the New York society noted "with the deepest regret and mortification a relaxation on the part of some individuals who, regardless and in violation of the solemn pledge they have given of assisting each other, act with the utmost indifference and often give strangers that preference which is pledged to a brother member." In 1835 a committee of the Columbia society declared that the promise to procure employment for a member of the society in preference to any other person had been "but loosely observed."

⁶Constitution of the Baltimore Typographical Society (Baltimore, 1842), Art. VI, secs. 1, 3.

ists, now ordinarily known as the "closed shop" rule, has been generally enforced by the local unions since about 1850; but there have always been some unions which allowed their members to work with non-unionists. In 1871 the International Union recommended to the subordinate unions that they should "instruct their members, as far as practicable, to refuse to work in offices where non-union printers are employed." But in 1876 a resolution introduced at the session of the International Union, condemning "the practice of allowing non-union men to work in the same department as union men", was defeated.⁷ Naturally, in times of depression the ability of the unions to enforce the closed shop rule has been less; and at one time or another almost all the local unions have allowed their members to work in "open" offices. The rule has been in the past far more generally enforced in newspaper offices than in book and job offices.

There has been, however, throughout the whole period since 1850, a gradually increasing insistence upon the closed shop rule. Although it was not made one of the "general laws" until 1899, the International has proceeded for years on the tacit assumption that the local unions allow their members to work only in union offices. The International trade regulations are intended to apply only to such offices;⁸ and the International defense fund is not used, except in very rare cases, to pay strike relief to members who have been working in an open office and have been "called out."⁹

⁷ Proceedings, 1871, p. 70; *Ibid.*, 1876, p. 61.

⁸ Here and there through these rules, appear such expressions as "in union offices" or in "offices under the jurisdiction of the union."

⁹ *Typographical Journal*, Vol. 19, p. 446; Vol. 27, p. 441. In 1904 the International president said: "The parent body (in this case) declined to pay strike benefits and this is the usual policy where men are called out of 'open' offices. A local union, however, can close an 'open' office at any time and call out its members employed

The chief motives which have led the Printers to insist upon the exclusive employment of unionists have been:¹⁰ (1) to secure, as far as possible, the exclusion without friction of certain classes of workmen from employment at the trade; (2) to increase the number of unionists by making the acquirement of union membership a condition of employment.

(1) *As a Method of Exclusion.*—The union wishes, first of all, to exclude from employment at the trade those members of the union who have disobeyed its rules.¹¹ The desire to make expulsion from membership a weighty penalty is common to all trade unions, since thereby they are aided in securing the loyalty of their members. The fear of social ostracism by fellow workmen is a powerful incentive to obedience.¹² Reluctance to lose the right to participation as a beneficiary in accumulated funds may also have a strong deterrent influence on members who are tempted to disobey. But the heaviest penalty which the union can contrive is the exclusion of the of-
therein. Members work in an 'open' office as a privilege and not as a right, and the privilege may be revoked at any time by the local union" (President's letter book [MS.], Vol. 61, p. 23). To call men out of a union office, a regular mode of procedure is prescribed.

¹⁰ The closed shop rule has also been a powerful factor in binding the local unions into a national organization. The effectiveness of the card system as a unifying instrument was directly dependent upon the exclusion of non-members from employment. See above, p. 48.

¹¹ At times, also, printers who were not members have been "ratted" because in a strike they have taken the places of unionists.

¹² The secretary of the New York society, in proposing in 1809 an exchange of the names of members who had been expelled for violation of the rules, said: "There is nothing which acts more powerfully on the human mind than shame. It makes the coward bold, the miser generous, and it is to be hoped that it will ever deter a journeyman printer from conducting himself unworthily toward his brother when innate principle is wanting."

fender from employment at the trade. Although the Printers have never been in control of enough offices to make it impossible for an expelled member to find work somewhere, they have often been sufficiently in control of certain classes of employment, or of employment in certain localities, to make a member hesitate on purely prudential grounds to "rat."

In 1816 the Albany society reported to the New York society the names of five printers who had "ratted" in Albany, and expressed its willingness to coöperate with the other societies in "the furtherance of all lawful measures" for "holding up to contempt" persons who "endeavored to defeat the objects of such associations." One of the printers thus denounced—a Mr. Bingham—came to New York, and a meeting of the "journeymen printers of New York" was held to consider his conduct. The meeting, which was called by the New York society, appears to have been in doubt as to the proper course to pursue, and, after some correspondence with the Albany society, the New York society passed the following resolution: "Resolved that those members who are now working in the office with Mr. Bingham be at liberty to retain their situations."

There is evidence that, even before the establishment of the closed shop rule, the principle had become well settled among the Printers that unionists were not to work with expelled members if they could avoid it.¹³ In 1836 in a letter from the secretary of the Philadelphia association to the Columbia society, the following passage

¹³ Mr. Thurlow Weed, in his *Autobiography* (p. 86), in describing his experiences at Albany in the year 1821 says: "I obtained, however, two days afterward a situation . . . where all went smoothly something over a month; when in obedience to a resolution of the Typographical Society the journeymen struck, not for higher wages but because a rat had been employed in our office."

occurs: "You say 'suppose rats were to come to Philadelphia and procure employment, would you work with them even supposing they receive the wages?' We answer, whatever objection we may have to working in the same office with rats, still we are compelled to do it. But because we are compelled to do so, we do not think we have deviated from the path of honor nor do we believe it is a fair inference to place us upon a level with them. Honor cannot be tarnished by compulsory contact. You are as much the creatures of circumstances as other men."¹⁴

To carry out the exclusion of any class of persons by refusing to work with them, although at the same time working with other non-unionists, caused great friction. The adoption of the closed shop rule made the exclusion of such persons automatic. Since the employer had accepted the principle that only members of the union should be employed, each case of exclusion could not be the occasion of a new difficulty.

In recent years, the union has been afforded several illustrations of the value of the closed shop rule as a disciplinary measure. Perhaps the most striking was in 1905-1907, during the struggle for the establishment of the eight-hour day. After the assessment of 10 per cent on wages had continued for some months, a considerable number of unionists in the Government Printing Office at Washington and in the Canadian Printing Bureau at Ottawa, both of which offices had been declared to be open offices immediately prior to the outbreak of the strike, refused to pay their dues. In the union newspaper offices, on the contrary, where the closed shop rule had been rigidly enforced for years, the assessment was paid with regularity.

In addition to expelled members, the Printers also wish,

¹⁴ *Printers' Circular*, Vol. 5, p. 10.

as far as possible, to exclude from the trade certain other classes of persons. Exclusion, in these cases, is not sought as a disciplinary measure, but because it is directly necessary for the enforcement of certain trade regulations. If, for example, the exclusive right of printers to do the work of the trade is to be maintained, persons who are not "practical printers" must be excluded. The classes of persons whose exclusion is sought for such reasons will be described in the following chapter.

(2) *As a Means of Recruiting the Membership.*—

There are two aspects to the closed shop rule as a means of bringing printers into membership. In the first place, when the union has once unionized an office, it is able by requiring the exclusive employment of unionists to affiliate with itself every workman who thereafter obtains work in the office. The rule thereby tends to continue a control once obtained. The closed shop rule can be viewed in another aspect as a device for securing the unionizing of other offices, and thereby bringing in new members. If a local union controls a large part of the labor supply, the influence of the closed shop rule as a means of increasing the membership may be very considerable. If, for example, in a community where 500 printers are employed, 400 are members of the union, both the non-unionist workmen and their employers will be at a distinct disadvantage. A non-unionist workman, if he can earn the minimum rate, will be eager to secure access to the wider opportunities for employment which the unionist possesses. The non-union employer under such circumstances cannot discharge his workmen and thus reduce expenses so readily in times when business is slack as he otherwise would, for he cannot easily replace his employees from his restricted labor market. At times, for the same reason, he must go outside his home labor

market, at expense and inconvenience, to supply himself with printers. But just as the closed shop rule is a powerful instrument for unionizing offices and recruiting members when the union is strong and controls a great part of the labor supply, so it is a hindrance when the union is weak. The unionist and the employer of unionists suffer in this case under the same disadvantage of a restricted labor market as non-unionists and the non-union employer do when the union is strong.

The influence of the union office rule is seen in the methods by which the local unions extend their power. If the enforcement of the trade regulations were sought merely through the members, the union could increase its strength by bringing into the union from time to time every non-unionist who could be persuaded to join. Many trade unions with simple trade regulations do carry on their propaganda in this way, but the efforts of the Printers are ordinarily directed, except in the case of a new union or of a disorganized one, to bringing offices rather than workmen within the jurisdiction of the union. For this purpose a local union centers its attention from time to time on a particular employer. Members of the union are, perhaps, sent "under cover" into his office to induce his workmen to agree to join the union. At the same time as much patronage as possible is diverted from his office. If, after a time, a large part of the workmen in the office agree to join, the officers of the union propose to the employer that he shall unionize his office. If he does not, a strike is called, or at least those who have joined the union are required to accept situations elsewhere or forfeit their membership. Whenever the union offices are in need of workmen, the union is especially active in such efforts, since, even if the employer who is under pressure objects and a strike results, the

men "taken out" can be readily placed in situations. If the members of the union are not fully employed, the union will not be so eager to attempt the unionizing of other offices, because, in case of failure, the union will have on its hands a number of idle men.

None of the local unions attempt to enforce their trade regulations fully except in union offices. It is conceivable that a local union might effect an agreement with employers under which the union regulations would be observed in open offices; but this is not done among the Printers. In Boston, where, until recently, the union allowed its members to work in open book and job offices, the agreements between the employers and the unions provided only "for wages and hours." In the agreement made in 1901, it was provided that the specified rates for time work should apply only to journeymen compositors and to women who were members of the union. The agreement of 1904 applied only to unionists.

In union offices, and there only, the union requires the recognition by the employer of certain institutions whose function it is to detect and prevent violations of the trade regulations. These are (a) the chapel, (b) the chairman of the chapel, and (c) the union foreman.

(a) *The Chapel*.—The chapel is a very old institution, and has varied widely in function in different places and at different times,¹⁵ but in structure it has always been a mass meeting with an elected president. The chapel assembles at the call of its president, and takes action on matters which concern the printers in the office. Originally the chapel was a purely social and beneficiary organization, but it developed in England in the eighteenth

¹⁵ The chapel was described in 1686 by Moxon in "Mechanic Exercises or The Doctrine of Handy Works." His account is quoted at length in Hansard's "Typographia," 1825, p. 309.

century into a trade-regulating office meeting. The minutes of the early American printers' societies contain no reference to the institution, and the formation of chapels in printing offices in the United States appears to have been due to deliberate design on the part of the local unions to create in each union office an agency for preventing violations of their regulations.

The New York Association of 1833 provided in its constitution for the establishment in each printing office where its members were employed of "what is technically called a chapel." The chapel was to be immediately summoned when doubts arose "respecting the construction" which was to be given to "any article in the scale of prices." If the employer refused to accept the decision of the chapel, the difficulty was to be reported to the association.¹⁶ At the National Typographical Convention held in 1836, a committee, appointed to consider a "plan for a chapel for the government of offices under the jurisdiction of subordinate societies", reported that "the ends to be gained by their establishment would be more satisfactorily attained by referring difficulties directly to the society or association." The committee thought also that "this course would have a tendency to prevent disputation on trivial matters."¹⁷ Despite this opinion, the unions generally provided for the organization of chapels.

The chapel was chiefly important in preventing infringements of the piece scale. The scales, elaborate as they were, did not and could not provide for all the possible cases which might arise, and an immediate decision of disputed points was necessary. In newspaper offices the chapel was additionally important because it laid down

¹⁶ Constitution and By-Laws of Typographical Association of New York, adopted 1833, p. 18.

¹⁷ Proceedings of the National Typographical Convention, Washington, 1836, p. 7.

the rules for the division of the "fat." So powerful indeed did the chapel become as an organization within the union that it frequently took action on matters which were not within its designed functions. The proceedings of the National Union furnish abundant evidence that until a comparatively late date chapels occasionally declared strikes. In 1881 two members refused to quit work during a chapel strike in the office of the *Detroit Post and Tribune*, and were expelled by the Detroit union. On appeal to the International Union, the sentence of expulsion was permitted to stand, on the ground that the regulation of chapels was entirely in the hands of subordinate unions.¹⁸ In some local unions, the power of the chapel to declare strikes was not fully taken away until the International assumed control of strikes.

The power to discipline their members was also claimed by some chapels. As late as 1890, it was declared as the sense of the International Union that "chapels may discipline by fine or otherwise any member of the union within its jurisdiction for violation of subordinate union law when the offense has a local (chapel) bearing."¹⁹ The president of the International Union asserted in 1898 that this rule was based on a "vicious principle by compelling subordinates to surrender their highest and most important function—their judicial authority—to chapels." He further said: "The composition of our membership and the conditions under which it labors are such that subordinate unions cannot too jealously guard their prerogatives from the insidious encroachments of the chapels, as the supersession of the union tends to disintegration."²⁰ The rule has since been repealed, and in nearly all local unions the power of the chapel to discip-

¹⁸ Proceedings, 1881, pp. 59, 61, 69.

¹⁹ *Ibid.*, 1890, p. 141.

²⁰ *Ibid.*, 1898, p. 17.

line members is limited to violations of chapel rules not in conflict with the laws of the union. Even in such cases, the disciplined member has a right of appeal to the local union.

(b) *Chairman of the Chapel*.—Since the time system of remuneration has become dominant in the trade, the importance of the chapel has greatly declined, although it is still maintained by nearly all the local unions. The presiding officer of the chapel, formerly known as the father of the chapel, but now ordinarily as the chairman, continues to be the official representative of the union in the office. His duty is to report immediately to the officers of the local union any violation of the union rules in his office. The chairman ascertains from any printer who obtains employment in the office whether he is a member of the union.²¹ If he is not, and if he refuses to apply for membership, it is the duty of the chairman to insist that he shall not be employed.²² The chairman also collects the dues from the men in the office.

(c) *The Union Foreman*.—Until recently many of the local unions were reluctant to admit foremen to membership, because it was feared that they would exert an un-

²¹ To facilitate the enforcement of the closed shop rule, about 1860 the "working card system" was introduced. In 1864 the International Union recommended its adoption to the subordinate unions (Proceedings, 1864, p. 79). Sec. 5, Art. IX of the By-Laws of Chicago Typographical Union, adopted in 1866, thus describes the "system": "It shall be the duty of the Father of the Chapel in each office to see that every person therein has a working card; and any member of this union working in an office with a person who has not such a card shall be expelled." Similar provisions appear in the constitutions of practically all the unions of the period, e. g., Eureka Typographical Union, 1869, New Orleans Typographical Union, 1869, Memphis Typographical Union, 1865.

²² Nearly all the local unions allow a non-unionist to work in union offices if he has made application for membership in the union. To such persons, a "permit" is issued until the union acts on the application for membership.

due influence in the unions.²³ The International Union in 1876 refused to require foremen to become members of the union, and in 1881 rejected a resolution requiring foremen to resign.²⁴ The matter was thus left in the hands of the subordinate unions, and there is evidence that, certainly by 1890, the great majority of the foremen in union offices were unionists.²⁵ Since 1899 the International Union has required that all foremen of union offices shall be members of the union.²⁶

The rule has been bitterly opposed by many employers, who contend that the foreman is the representative of the employer in the office, and that by requiring him to become a member of the union he is made to bear a prior allegiance to the union. The union on its side maintains that the foreman can have no conflict with the union as long as the trade regulations of the union are obeyed, and that to these the employer has assented. The advocates of the union's policy also argue that a reasonable and just construction of the regulations can best be obtained by having the foreman a member of the union, since as such he can present most effectively the side of the employer. Moreover, the union points out that the employer is entirely free to select and discharge his foreman since the "priority law" does not apply to the position of foreman, nor to the foremen of "departments" in a large office.²⁷

²³ Proceedings, 1878, p. 17.

²⁴ *Ibid.*, 1876, p. 62; *Ibid.*, 1881, p. 50.

²⁵ In 1890 the International president, in reply to the question, "Hasn't an office the right to employ any man whatever as foreman provided only union men are employed as compositors?", said, "Attention is called to the fact that foremen are members of our organization and in union offices all persons employed in the composing room are members of the union." (*Typographical Journal*, Vol. 2, no. 3, p. 4).

²⁶ Proceedings, 1899, p. 24.

²⁷ The International president in a recent case said: "The International law nor any valid local law does not require that the fore-

The insistence on the requirement that the foreman shall be a unionist is due to the number and complexity of the union's trade regulations. Moreover, an increasing number of these rules, particularly those relating to hiring and discharging, regulate the conduct of the foreman. With a non-union foreman, entirely exempt from the discipline of the union, the friction resulting from these rules would cause, in many offices, constant difficulty with the employer. The union foreman is expected to know the rules of the union and to obey them. If he does not, he may be fined, suspended, or expelled. The place of the foreman in the administration of the union's regulations was thus defined by President Lynch in 1900: "We do not expect that the foreman shall represent the union." It is understood that he is engaged by the office to protect its interests and to carry out its wishes and desires. It must be remembered, however, that a union office agrees to conduct the composing room in accordance with union rules. If he (the foreman) willingly violates union law or permits its violation without notifying union authority, he should be prepared to accept the consequences."²⁸ The chapel may also fine a foreman for infraction of chapel rules. If he believes that he has been fined illegally, he may appeal to the local union and thence to the International officers.²⁹

manship of an office should be filled under the priority law. On the contrary, a union office is free to place in the foremanship any printer holding a union card. The foreman of an ad. alley in a metropolitan daily newspaper is one akin in responsibility and peculiar requirements to the foremanship of the office itself. It should be left free from the application of priority laws so that it may be filled or vacated at the will of the office (President's letter book [MS.], Vol. 65, p. 192).

²⁸ *Ibid.*, Vol. 43, p. 776.

²⁹ Appeal File B. 13 [MS.].

CHAPTER XVII

ADMISSION TO MEMBERSHIP

As has been pointed out in the preceding chapter, the exclusion of certain classes of persons from the trade is one of the objects aimed at in the establishment of the union office rule. This exclusion is accomplished by denying such persons admission to membership. In order, therefore, to understand the extent of the exclusion practised, it is necessary to examine the policy of the union with reference to admission to membership. Although the rules restricting admission to membership have been regarded among the Printers primarily as a means of securing the enforcement of trade regulations, there has also been present at times a feeling that the exclusion of persons or classes of persons from the trade is desirable in order to lessen competition for employment.

In another way, also, the policy of the Printers with reference to admission to membership is complicated. If the union controlled all printing offices, exclusion from the union would mean exclusion from the trade, but this is far from being the case. Although printers who cannot secure admission to the union may find it difficult in some cities to secure employment, and in some cases may be diverted to another trade, the usual effect of refusing admission to printers is merely to make it necessary for them to work in non-union offices. The union thereby loses control of part of the workmen in the trade, and finds itself to that extent less able to maintain its trade regulations. As enforced, the rules restricting membership are, therefore, compromises between what the union desires to do and what it can afford to do.

For many years after the organization of the National Union in 1852, the local unions were absolutely free to regulate admission to membership. They were, to use an expression frequently found in the official proceedings, "sovereign in deciding the qualifications of their members." Since, however, under the national compact, one local union had to admit the members of every other union, the diversity in policy among the local unions constantly occasioned friction; and the National Union was led, in the interest of harmony, at first to recommend, and later to enforce, certain rules with reference to the admission of members. By degrees these exercises of International authority have become so important that the theory of local autonomy so far as admission to membership is concerned has been abandoned.¹ The International Union has, however, never attempted to draw up a complete set of rules governing admission. For a long period its policy was to lay down rules concerning the admission of certain classes of persons; more recently, the power of the local unions to reject candidates has been limited by subjecting their acts to judicial review by the International officers. It will be convenient in describing the policy of the union to follow this historical order.

The classes of persons whose admission to membership has been either at times or permanently restricted are: (a) workmen who have not served an apprenticeship to the

¹ In 1891 the International refused to submit to the membership a proposition which affirmed "the right of subordinate unions to pass upon the qualifications of their members." In 1898 the wording of the travelling card and the constitution was changed so that "members of subordinate unions" became "members of the International Union" (Proceedings, 1898, p. 128).

trade, (b) incompetent workmen, (c) expelled members applying for readmission, (d) women, (e) negroes.

(a) *Workmen who have not served an Apprenticeship*.—The early typographical societies held strongly to the traditional view that all printers who had not passed through a "regular" apprenticeship were interlopers.² Since, however, the societies did not attempt to exclude such workmen from the trade, the only result of not admitting them to membership was to weaken the societies. As a rule, therefore, the more militant the society, the less importance it attached to the apprenticeship requirement. The Philadelphia society provided in its constitution of 1802 that no person should be eligible to become a member who had not "served an apprenticeship satisfactory to the board of directors;"³ and the board appears to have required that an applicant must have served an indentured apprenticeship. The Columbia society of Washington insisted tenaciously until about 1836 that candidates should have passed through a "regular" apprenticeship.⁴

On the other hand, the minutes of the New York society show a gradual relaxation in the apprenticeship requirement. On December 23, 1809, the board of directors proposed to the society the following by-law: "No

² In a letter to the New York society, on October 13, 1824, the secretary of the Franklin society of Boston, a purely beneficiary organization, suggested that an alliance among the local societies would be useful in preventing "an overflow of workmen" and "would form a band of those who have served a regular apprenticeship, with all its expenses and troubles, to the exclusion of interlopers who, without any legal claim, deprive the honest man of all the benefits to be derived from the most respectable trade in existence" (Appendix 3).

³ MS. Constitution of Philadelphia Typographical Society, 1802, Art. XV.

⁴ At the August, 1835, meeting of the Columbia society, it was proposed to permit persons who had not served an apprenticeship to

person shall be admitted a member of this society unless he shall have duly and regularly served the term of three years as an apprentice to one branch, namely, either as a compositor or as a pressman." The next general meeting of the society refused to ratify this rule, and the directors modified the requirement to an "apprenticeship satisfactory to the board of directors." On March 6, 1811, the board adopted a resolution requiring candidates merely to make a written statement that they "had worked at least five years at the printing business." From the adoption of this resolution to the incorporation of the society in 1818, the requirement for admission appears to have remained unchanged. Since about 1830 the societies and associations of printers have not made the serving of a "regular" apprenticeship a requisite for admission. Apprenticeship has been interpreted not as a status, but simply as an initiatory period. In fact, many of the local constitutions provide merely that the candidate "must have worked at the business four years."

Nor have the typographical unions ever required, as a condition of admission, that the applicant should have served his apprenticeship in a union office. The membership of the union has always been largely recruited from workmen trained in small towns where there are no typographical unions, and from non-union offices in the larger places. A rule of the International, of many years' standing, sums up the traditional policy of the union in the declaration that "a candidate for membership cannot be rejected solely on the ground of having served his apprenticeship in an unfair office." Some local unions impose a heavier entrance fee upon candidates who have

pay a weekly sum of money for a period, and at the end of the period the candidate was to "be considered constructively to have served the full term and then to be eligible to membership."

learned the trade in non-union offices, but it is not ordinarily the policy of the unions even to do this.

In recent years, however, the apprenticeship requirement has come to be something more than merely that the candidate shall have "been at the business" for four or five years. The increasing specialization within the trade and the consequent growing solicitude of the union to protect its exclusive right to the work of the composing room, described in a preceding chapter, has led the union to define more sharply than hitherto what persons are to be considered "printers." The union insists that candidates for membership must have acquired a knowledge of those branches of the trade which are believed by the union to be fundamental. A local union would not, for example, under ordinary circumstances, receive into membership a workman who had never worked at any branch of the trade except proof reading, nor one who knew only how to operate the linotype. A candidate for membership must be a "practical printer", *i. e.*, according to the official definition, "one who can set type and who has served an apprenticeship in the composing room." The union is reluctant to admit "specialists", *i. e.*, persons who have become proficient in some one branch of the trade without being able to set type.

The local unions, while maintaining, so far as they can, the exclusive right of "practical printers" to employment at the work of the trade, have frequently taken into membership linotype operators and proof readers who were not "practical printers." Special provision was made for the admission of non-printer proof readers when the jurisdiction of the union was extended over proof readers, and the local unions shortly after the introduction of the linotype admitted many non-printer operators. Even now that the jurisdiction of the union over these kinds of

work is firmly established in union offices, the local unions frequently admit persons who are good operators or proof readers without being "practical printers." In time of strike, or in negotiations for unionizing an office, the local unions waive their objections to "specialists" rather than lose an opportunity to strengthen themselves.

(b) *Incompetent Workmen*.—An incompetent workman is one who is not proficient in the branch of the trade at which he works. A strong feeling has always existed in the union against the admission of such workmen. A linotype operator, for example, in order to be readily admitted must not only be a "practical printer", but should also be a competent operator. That he was not also competent as an "ad. man" or as a proof reader would not militate against his admission.⁵ The National Union in 1865 expressed its disapproval of the "practice of admitting persons who have not exhibited sufficient proof of their qualifications as printers;"⁶ and since 1889 the International has formally required that a committee of the local union shall make a "rigid examination as to the competency" of candidates.⁷ As a matter of fact, however, the local committees rarely attempt to determine the competency of the candidate by examination. A few questions, more or less perfunctory, are asked, and a report from the foreman of the office where the candidate is at work is secured; but efficiency is very difficult to define except in wage-earning capacity. If a printer is able to earn the rate of pay prescribed by the union scale, he is ordinarily adjudged competent. In time of strike, the union frequently admits printers to membership who are known to be grossly incompetent. The officers of the International from time to time lament the fact that

⁵ Proceedings, 1874, p. 14; *Ibid.*, 1875, p. 43.

⁶ *Ibid.*, 1865, p. 48.

⁷ *Ibid.*, 1889, p. 58.

the unions find themselves unable to exclude such printers.⁸

The objection to the admission of incompetent printers rests on several grounds. In the first place, the traditional view persists that a union is an association of skilled workmen. Secondly, it is clear to the unionist that the presence of incompetent workmen in the union makes it difficult to raise the minimum rate. In various ways, moreover, the incompetent workman is a nuisance to the union; he is more frequently out of work, and is more likely to "rat." The officers of the local unions must frequently use their efforts to secure for such men positions which they can fill, and in which their efficiency may be increased.

(c) *Expelled Printers*.—As has already been noted, the power to expel from membership, and thereby to exclude from employment in union offices, is the chief instrument of discipline possessed by the union. This power is vested in the local unions, but its exercise has been increasingly subject to restraint by the International Union. Checks have been imposed, in the first place, on the power to expel, and, secondly, on the power of the local unions to prevent the readmission of expelled printers.

Not infrequently the local unions, actuated by motives of personal feeling or factional hostility, have used the power of expulsion recklessly and unwisely. At a very early date, the National Union remonstrated against such conduct. Although by the National constitution the right of appeal to the National Union from a sentence of expulsion was given to every member, as a matter of

⁸ In 1901 President Lynch said: "The union must control the supply of printers, good, bad and indifferent, if its battles are to end in victory. That is why they are given membership. And often, yes, very often they are taught the trade after gaining the coveted membership" (Proceedings, 1901, p. 11).

practice, the National Union for a considerable time interfered in only two classes of cases: (1) A local union was not allowed to expel a member who had left its jurisdiction and had been admitted to another local union. (2) A local union was not permitted to violate its own rules in expelling a member. Ordinarily the National Union did not attempt to determine whether the offence committed was of sufficient importance to justify a sentence of expulsion; but, in some instances, where the offense was trivial, the International ordered the local unions to readmit the expelled member.

The transference to the International president, in 1869, of the power to decide appeals aided an expelled member in procuring a speedy consideration of his case. Moreover, the presidents held that not only must the rules of the subordinate union concerning trials be complied with, but also that the ordinary principles of jurisprudence governing the rights of accused persons must be observed.⁹ In 1899 the International adopted a code of procedure for trials,¹⁰ which, with some unimportant modifications, remains in force. The International Union has never attempted, however, to specify the offenses which may be punished by expulsion,¹¹ although the president of the International has reversed sentences of expulsion on the ground that the penalty was too heavy for the offence. In the main, however, the chief protection that has been given the accused member has been the guarantee of a fair trial.

⁹ It was held in 1882 and has since remained the rule of the union that "where a member has deliberately ratted it is not necessary that he should be cited for trial, but he may be summarily expelled" (Proceedings, 1882, p. 19).

¹⁰ *Ibid.*, 1899, p. 50.

¹¹ Where the International Union has prescribed a specific penalty for an offence, the president has held that no other penalty may be inflicted.

The questions relating to the readmission of expelled printers have been more difficult to adjust. As has been noted above, one of the chief purposes in the formation of a national organization among the union printers was to secure the barring from every local union of a printer who had been expelled by one. The chief difficulty in the working of this system of national exclusion arose from the fact that frequently a local union wishes to take into membership a printer who has been expelled by another local union. Under the original rule of the National Union, a subordinate union could not under any circumstances admit to membership a printer who came from the jurisdiction of another union. It was proposed in 1855 that a member expelled by one union might be admitted by another union on the payment of \$10, but the National Union refused to agree to such a plan.¹² In 1857 the National Union, impressed by the desirability of making some modification in the rule, provided that, if an applicant from the jurisdiction of another local union made a satisfactory statement, he might be admitted.¹³ This rule gave each union complete authority to admit to membership printers who had been expelled by other local unions. At the same session, local unions were required to transmit to the other unions the names of expelled printers. It was expected that local unions would refuse to admit such persons to membership; but, when their admission appeared desirable, the local unions showed themselves more concerned with their own immediate interest than with the upholding of the principle of national exclusion. In 1860 the National Union adopted the rule, which has since been in force, that a local union before admitting an applicant must secure the consent of the local union from whose jurisdiction he came.

¹² Proceedings, 1855, p. 11.

¹³ *Ibid.*, 1858, p. 27.

This was not, however, a satisfactory adjustment. Local unions in time of strike did not wait to ascertain whether the expelling union, perhaps distant, was willing to permit an applicant to be readmitted, and the rule was constantly disobeyed. Complaints were made at every session of the National Union, and the officers frequently called attention to the fact that the rule could not be enforced. In 1868, for example, the National president said: "During the past year Memphis union, in self defense, in the face of the law was compelled to whitewash eleven rats, and New York union during the conflict with the *World* newspaper was compelled to do the same as Memphis did and receive into fellowship an expelled member of the Philadelphia union." A source of peculiarly bitter irritation was the return of the "white-washed" printers to the unions which had expelled them, where they "flaunted their cards in the faces of those who had refused to have dealings with them either personally or typographically."¹⁴ Now and then, a union thus aggrieved, in order not to be cheated of its revenge, refused to issue a working "permit" and destroyed the card presented by the offender. In 1868 the president of the National Union was authorized to permit a local union to admit a printer who had been expelled by another union, provided the expelling union had refused to give its consent and the president believed that the "general welfare demanded his admission." Every exercise of this power, however, created dissatisfaction and in 1874 it was taken away from the president.

The solution of the difficulty was finally found in the development of the power of the International Union to grant an "amnesty." This power was first exercised in 1868, when, encouraged by the rapid increase in the mem-

¹⁴ Proceedings, 1887, p. 18.

bership, the National Union proclaimed an "amnesty" for three months. During this period, printers who had been expelled were to be admitted on application to any union within whose jurisdiction they were working, without being subject to any "fines, pains, or penalties." The local union was required to "elect such applicant without regard to his past record."¹⁵ Under these conditions some 300 printers were readmitted. Strong objections were made to such a wholesale exercise of the pardoning power; and in 1876 a proposal for another "amnesty" was defeated.¹⁶ On account of the weakness of the union, however, the discussion as to the desirability of proclaiming an "amnesty" continued. The membership had decreased from 9819 in 1874 to 4260 in 1878, and the number of local unions from 106 to 69. With the reviving prosperity of the country, the Printers felt that prices for work might be raised, but they knew that if a strike occurred the expelled printers would be used as "strike-breakers."

The Chicago union, at this juncture, decided to admit to membership all applicants, whatever their past records. The union was thereby enabled to enforce its scale and to increase the number of union offices.¹⁷ This action was the subject of much comment. Chicago union was described by the opponents of "amnesties" as a "white-washed" union; but the International commended the "Chicago policy", as it was called, on the ground that it

¹⁵ Proceedings, 1868, p. 35; *Ibid.*, 1869, p. 9.

¹⁶ The committee to which the proposition was committed reported as follows: "Resolved, that as it is detrimental to the best interests of the craft generally that those who have proved recreant to their obligations as members of the union should again be admitted into full fellowship with the fraternity, we therefore deem it inexpedient to resort to aforesaid amnesty" (Proceedings, 1876, pp. 60, 61).

¹⁷ *Typographical Journal*, Vol. 26, p. 272.

would bring about "a reunion of the whole craft."¹⁸ No "amnesty" was declared by the International, but it is probable that the larger part of the local unions opened their doors.¹⁹

Although, therefore, the union has shown itself disinclined in recent years to issue a "general amnesty",²⁰ the International executive council since 1890 has had the power to declare an "amnesty" for expelled printers working within the jurisdiction of a particular local union. When a local union is endeavoring to unionize an office or is involved in a strike, it ordinarily procures the assent of the International council to an "amnesty." The local union may then admit any printer to membership without obtaining the consent of the expelling union. The result is that in every considerable strike many expelled printers find their way back into the union. Under this arrangement the national exclusion of the expelled is carried only up to the point where in the opinion of the International officials it would be hurtful.

(d) *Women*.—The entrance of women into the printing trade appears to have been closely associated with the participation of the family in the work of the small office. At a very early date, some of the women printers thus trained became proprietors of printing offices,²¹ but the earliest reference in the records of any of the societies to the employment of women as printers is found in the minutes of the Philadelphia society for the year 1832. It was reported at that time to the society that Mr. Ma-

¹⁸ Proceedings, 1879, p. 57.

¹⁹ *Ibid.*, 1880, p. 57; *Ibid.*, 1881, pp. 37-43, 102.

²⁰ A proposal was made in 1888 to grant an "amnesty" to members of the Printers' Protective Fraternity, but was defeated (Proceedings, 1888, pp. 127, 177).

²¹ Isaiah Thomas, "History of Printing in America," *passim*; "Early Female Printers in America" in *Printers' Circular*, Vol. 7, p. 284.

thew Carey, the economist, had promised a Mr. Johnson, a master printer of Philadelphia, to give him work if he would employ women as compositors. In a letter to the society Mr. Carey denied that he had made such an offer. A few years later, Mr. Carey complained in another communication to the society that there was a feeling of hostility towards him on account of the prevailing belief that he wished to secure the employment of women as compositors. He admitted his interest in securing better and more remunerative employment for women, but denied that he had ever proposed or thought of introducing them into the printing trade.²²

In 1835 the Columbia society of Washington heard with dismay that women were to be taught typesetting in Philadelphia, and were then to be brought to Washington to work for General Duff Green. The corresponding secretary wrote to the unions in Philadelphia, Boston, and Baltimore inquiring as to the employment of women as printers in those cities. Unfortunately the replies have been lost. There is contemporary evidence, however, that no women were employed as journeymen printers at this time in Philadelphia, nor were any at work in Washington.²³ Two women owned and managed printing offices in Philadelphia, but they did not work at the trade. The discussion of the question was not caused by the actual introduction of women into the trade but by the agitation

²² MS. Minutes of Philadelphia Typographical Society, 1832 and 1838, *passim*; *Printers' Circular*, Vol. 2, pp. 267, 268. Mr. Carey, who was much concerned over the low wages paid to women, set forth his views on the subject in numerous pamphlets and articles, the chief of which are: "Address to the Ladies of New York", 1830; "Address to the Impartial Humane Society", 1830; "Address to the Wealthy of the Land", 1831; "Female Wages and Oppression", 1835. In none of these is there any reference to the employment of women as compositors.

²³ *Printers' Circular*, Vol. 4, p. 365.

which was being carried on at that time for the better remuneration and wider employment of women. Although the Philadelphia and Columbia societies took no action in opposition to the employment of women as printers, they showed clearly that they regarded such an innovation with disfavor and fear.²⁴

By 1850 a considerable number of women were working as compositors,²⁵ and the local typographical unions showed deep concern at this invasion. In 1854 the Detroit union asked advice from the National Union as to whether it should oppose the employment of women. A resolution "discountenancing the employment of females" was voted down, but the National Union was strongly of the opinion that it should not "encourage by its acts the employment of females as compositors."²⁶ The local unions appear generally to have opposed the employment of women as printers. The Philadelphia union, for example, instructed its delegates to the session of 1855 "to oppose any recognition of the employment of females as compositors." The Boston union, however, in whose jurisdiction the number of female compositors has always been largest, rejected in 1855 a rule forbidding the members to work with female compositors. Two years later the same union passed a resolution "that all

²⁴ Some women were probably working as compositors in New England in the early thirties. Harriet Martineau, in 1836, mentions typesetting as one of the employments open to women, and in the returns of manufactures made in 1832 a few women were given as engaged in printing in New Hampshire and Massachusetts. See "Harriet Martineau and the Employment of Women in 1836" by Edith Abbot in *Journal of Political Economy*, Vol. 14, p. 619.

²⁵ The census of manufactures in 1850 returned 1279 female hands as against 6989 male hands engaged in printing and publishing. The census does not show what part of the female hands were actually employed as printers. Most of them were probably engaged in bookbinding, *i. e.*, in stitching books.

²⁶ Proceedings, 1854, pp. 12, 27, 28.

females be allowed to work at all branches of the business provided they receive the scale." But female printers were not admitted to membership.

The policy of exclusion remained unchanged until the late sixties, when a combination of circumstances forced the National Union to give the subject renewed attention. By this time women were being employed on several large daily newspapers; notably the New York *World* and the Brooklyn *Eagle*.²⁷ The wages of women compositors were notoriously low, and in several strikes the unions had been defeated by women "strike breakers." The Printers began, under these circumstances, to question the wisdom of a policy of exclusion. Moreover, the agitation carried on by the advocates of equal rights for women attracted much attention. Miss Susan B. Anthony and others interested in this movement were particularly desirous of widening the field of employment for women, and the Printers felt keenly the criticism that they were attempting to exclude women from employment.

At the meeting of the National Union in 1867 a committee was authorized to "report a plan to regulate and control female compositors, so that ladies in the business may benefit themselves and inflict as little injury as possible upon printers." The committee was divided in opinion. A majority argued that lack of organization was responsible for the low wages paid women, and recommended that the local unions should "use every exertion and argument to induce such females to join their subordinate union or to establish a union of their own in conjunction with the existing union." The session held, however, to the time-honored view that each local union should be left free to decide such questions for itself.²⁸

²⁷ In some of the large newspaper offices women were employed in distributing type and thus acquired a knowledge of typesetting.

²⁸ Proceedings, 1867, pp. 30, 52, 57.

Two years later the New York union stood sponsor at the session of the International for a plan to prevent the harmful competition of women. During a strike in 1868 this union had organized a union of women compositors with forty members. The "Women's Typographical Union" now applied for a charter from the International Union, and the New York union endorsed the application. The International Union granted the request and amended its constitution so as to permit the chartering of women's unions provided the union of male printers in the locality consented. The scale of the female union was to be subject to the approval of the male union.²⁹

The Printers in other cities besides New York were impressed with the desirability of affiliating women compositors. The Philadelphia and Chicago unions admitted their first women members in 1870.³⁰ Miss Augusta Lewis, who had been prominent in the formation of the New York women's union, was elected corresponding secretary of the International. She energetically carried on a correspondence with the printers in various sections and endeavored in some places to form women's unions and in others to secure the admission of women to the men's unions. In 1871 the International urged the local unions to affiliate women printers either by forming women's unions or by admitting them to membership in the men's unions. It also advised that, where separate unions were formed, the women belonging to such local unions should be admitted to offices "on an equality with men."³¹ Although no other women's union was organized, many women were admitted to membership in the local unions.

The wisdom of chartering separate local unions of

²⁹ Proceedings, 1869, pp. 8, 23, 39, 41.

³⁰ *Printers' Circular*, Vol. 5, pp. 66, 151.

³¹ Proceedings, 1871, pp. 33, 61; *Ibid.*, 1872, pp. 50, 51.

women was very shortly brought into serious question. The New York women's union was by no means prosperous. It did not receive from the advocates of "equal rights" the support which had been expected. Mr. Tilton of the *Golden Age* refused to pay the scale; and Miss Anthony, the proprietor of the *Revolution*, was unable to do so on account of a contract for the printing of the *Revolution* into which she had entered.³² The women unionists complained also that they were discriminated against in union offices. In 1871, in her report to the International, Miss Lewis said: "We refuse to take the men's situations when they are on 'strike'; and when there is no strike, if we ask for work in union offices we are told that there are no conveniences for us. We are ostracized in many offices because we are members of the union, and although the *principle* is right, the *disadvantages* are so many that we cannot much longer hold together, and I trust our want of success will be attributed to the true cause."

On the other hand, the men's union in New York was even more seriously dissatisfied. The men wished the women's scale to be identical with their own, but the women compositors found it impossible to secure work except at some reduction. In 1872 a committee of the International after an investigation pointed out that, if women were allowed to organize separate local unions, there would always be the danger that they would not

³²At the National Labor Union Congress held in Philadelphia in August, 1869, the New York typographical union bitterly opposed the admission of Miss Anthony as a delegate from the Working-women's Association of New York on the ground that her paper did not employ unionists and that it paid its women compositors less than the scale. After a prolonged debate, the delegates of the New York union and of the International Typographical Union secured the exclusion of Miss Anthony by threatening to withdraw from the Congress (*Printers' Circular*, Vol. 4, pp. 244-248).

effectively maintain their scale. The International Union decided on this account to issue no more charters to women's unions. The New York women's union, however, retained its charter until 1878, although the men's union several times asked that it be revoked.

Opposition to the admission of women to the local unions was gradually dying out, and in 1884 the International president decided that subordinate unions could not refuse admission on account of sex. The convention approved the decision and ordered foremen, unions, and chapels to "make no distinctions on account of sex in persons holding travelling cards."³³ In 1887 the International provided explicitly that equal wages must be paid to male and female compositors in all union offices.³⁴

The policy of the union as thus finally determined consists of three parts. In the first place, the union will not permit the employment of women at a lower rate than is paid to men. Secondly, since it has been found impracticable to enforce the payment of the same rate to men and women if the women are allowed to have separate unions, the union will not allow the formation of separate local unions. Thirdly, a local union must admit women on the same terms as it does men. This policy had at least one advantage; it relieved the union from the criticism that it excluded women from the trade. Indeed, the union was able to show itself an ardent advocate of the "equal pay" doctrine.³⁵ The union has not, however, been successful to any considerable extent in affiliating women printers. The mass of women compositors

³³ Proceedings, 1884, pp. 20, 104.

³⁴ *Ibid.*, 1887, p. 108.

³⁵ The committee which in 1872 had advised that no more separate female unions should be formed had based its recommendation on the "fundamental principle unswervingly insisted upon by all the friends of female labor that there should be no difference in compensation to competent workers based upon a difference in sex."

cannot earn the union rate; and the union prefers to leave them unorganized rather than to permit them to work for less than men. The wisdom of this policy has at times been questioned; and, in 1891 and 1893, the Boston union attempted, unsuccessfully, to secure from the International permission to establish a lower scale for women.³⁶

To understand why the union has adhered so steadily to this policy it is necessary to understand the position which women occupy in the trade. Nearly all women printers are hand compositors, and they rarely learn any part of the hand compositor's work except the setting of "straight" matter. They are not employed to any extent in setting "display" matter, nor do they make up or impose. As hand compositors on "straight" matter, they are usually inferior to men. These deficiencies are chiefly due to the circumstances under which women enter the trade. A boy ordinarily learns the trade of a printer by working for four years at its various branches. During this time he receives, especially during the first part of his term, very low wages. A girl, on the other hand, immediately on entering an office, is put at setting type; and she receives in a short while a higher wage than the boy does. The girl is not moved from one branch of the trade to another, partly because certain branches of the trade require somewhat severe physical exertion; but chiefly because she wishes to earn immediately as large a weekly sum as possible, since in the great majority of cases she expects to remain at the trade only a few years.³⁷

³⁶ Proceedings, 1891, p. 159; *Ibid.*, 1893, p. 123.

³⁷ According to the census of 1900, 60 per cent of the female "printers, lithographers, and pressmen" in the United States were from 16 to 24 years of age and nearly 80 per cent were from 16 to 34; only 30 per cent of the male "printers, lithographers, and press-

In most of the trades in which women are at work, as for example in bookbinding, men and women work at different parts of the trade and do not compete. Such a division of the work of the printer between men and women, the union was unwilling to consider. Although "straight" hand composition has always been subject to the competition of workers of low skill, it constituted until the advent of the machine the great bulk of the work of the trade. If a local union, in order to induce the women compositors to join, had lowered the rate for "straight" hand composition, a reduction in the earnings of a large part of the unionists would have resulted. The rapid development in recent years of machine composition suggested to the Boston union the possibility of bringing the women compositors into the union by reducing the rate for "straight" hand composition, which in that city had fallen almost completely into the hands of women. In 1901 the union secured from the employers an increase in the weekly scale, but granted a reduction from 40 to 35 cents per 1000 ems in the piece scale for hand composition. As long as the rate was 40 cents, no woman could hope to be employed on "straight" composition as a unionist, for the market price was only 35 cents.³⁸ The union did not find that the reduction in the scale materially increased its membership, and the rate is now 38 cents per thousand.

The problem of "female cheap labor", which for so long disquieted the Printers, has not been much discussed in recent years. "Straight" composition is now done largely on machines, and a steady lessening of the demand for hand-set "straight" matter seems likely. Unless, there-

men" were from 16 to 24 years of age and about 60 per cent were from 16 to 34.

³⁸ *Typographical Journal*, Vol. 18, 150.

fore, women can profitably operate the machines, it appears probable that the field for their employment as printers will narrow. At the introduction of the machines, it was confidently expected that they would be operated by women. The statistics collected by the officers of the International Union make it possible to determine how far this expectation has been realized.

The following table shows for various years since 1901 the number of male machine operators, female machine operators, machine tenders, and operator machinists:

	1901		1905		1908	
	Union- ists	Non- Union- ists	Union- ists	Non- Union- ists	Union- ists	Non- Union- ists
Male Machine Operators..	6,406	557	9,287	585	10,073	1,192
Female Machine Operators	166	99	342	197	332	381
Machine Tenders	475	73	712	81	673	151
Operator Machinists	730		1,186	78	1,345	277

It appears that the number of female machine operators increased from 265 in 1901 to 539 in 1905 and to 713 in 1908, while the number of male machine operators increased from 6963 to 11,265. The operator machinists, who are almost without exception men, also increased from 730 in 1901 to 1622 in 1908. It thus appears that although the rate of increase was larger for women, the number of women operators is very small. In a total of nearly 13,000 operators, only 700 are women.

The small number of women operators is partly to be explained by the fact that machines have hitherto been chiefly used in newspaper offices, where women are rarely employed. But the chief cause is that employers generally prefer men because, as a class, they are faster and more skillful operators. The machine is costly, and the fixed charges for repairs, interest, etc., are the same, whatever the product. As long as the ratio of fixed charges to operating expenses remains high, the employ-

er will be willing to pay a considerable difference in wage to secure a superior workman. In "straight" hand composition the fixed charges were low, and a cheaper workman meant a cheaper product. The cheapness of women's work is, therefore, not nearly so great a consideration in machine composition as it was in hand composition. Any diminution in the cost of the machines or of their up-keep would make the competition of women more severe.

The machine makes against the employment of women in another way. The decrease in the amount of hand-set "straight" matter has made it less desirable for employers to maintain forces of women compositors, and the opportunities for women to obtain a knowledge of hand composition have been lessened. Employers are a unit in the opinion that a knowledge of hand composition is highly desirable for a machine operator. If women become operators, therefore, they must in the majority of cases enter the trade as men do by serving a period of apprenticeship at a low rate of wages. It is always possible, of course, that employers may take on women as hand compositors with a view to giving them such training as may fit them for working the machines, but since the period of training is expensive not many women are thus taught designedly.

The increase in the number of women printers cannot be ascertained accurately, for the occupation statistics do not separate printers from pressmen, lithographers, and stereotypers. The following table gives the numbers at each census since 1870:

	Total	Females	Percentage	
1870	40,424	1,504	3.7	Printers and publishers
1880	72,726	3,456	4.7	Printers, lithographers and stereotypers
1890	123,059	12,211	9.9	Printers, lithographers and pressmen
1900	155,147	15,981	10.3	Printers, lithographers and pressmen

A remarkable increase in the percentage of women is to be noted from 1880 to 1890; but from 1890 to 1900 the number increased at about the same rate as the number of men. Some allowance must be made for the fact that certain parts of the occupation group that are increasing very rapidly, for example, stereotypers and lithographers, are entirely made up of males. These classes are small, however, and do not impair the conclusion that the rate of increase in the number of women was materially checked in the decade 1890-1900. Women would probably have proved more formidable competitors in the trade if the amount of "straight" hand composition done had increased at the same rate as in the decade 1880-1890.

(e) *Negroes*.—The question as to the right of negroes to admission did not come before the International until 1869.³⁹ In May of that year, L. H. Douglass, a son of Frederick Douglass, was appointed to a position as compositor in the Government Printing Office. The office was at that time a strictly union office, and as Douglass did not have a card, he obtained from the secretary of the Columbia union a permit allowing him to work until the union met. Before the local union in Washington had acted on his application for membership, a meeting of the International was held in Albany, and the delegates from the Washington union presented the question for consideration. A resolution declaring it to be "flagrantly unjust for any subordinate union to deny admission to any printer merely on the ground of race or color" was defeated, as was another resolution declaring against "the

³⁹ The constitution of the New Orleans society adopted in 1839 provided: "In no case shall a member of this association be allowed to work with a free man of color, either as compositor or pressman." Similar rules are to be found in the older constitutions of many of the other Southern unions.

admission of any negro into a union."⁴⁰ The International Union thus refused to take a stand on the real point at issue. The case was somewhat complicated, however, by a charge that Douglass had worked for some time in a non-union office in Denver, and a resolution was passed censuring the superintendent of the Government Printing Office for "an attempt to force upon Columbia Union, L. H. Douglass, an avowed rat." After some delay, the Columbia union began to admit negroes to membership.

The International held repeatedly that a local union might, at its discretion, refuse to admit negroes.⁴¹ This decision involved a difficulty, for a negro who had become a member of one union might take a travelling card and present it to another union which did not admit negroes. At the session of 1871, a delegate from Macon, Georgia, proposed that unions should be permitted to reject negroes who sought admission by card; but the International Union refused its assent to such a proposal.⁴² No case of a union refusing to receive the card of a travelling printer was brought to the attention of the International Union until 1879. In December, 1878, T. M. Alexander, a negro member of Columbia union, wrote to that union that the unions at Memphis, Tenn., and Little Rock, Ark., had refused to recognize his travelling card, issued by Columbia union. The International president informed Columbia union that "it was a violation of existing laws for the officers of a subordinate union to refuse recognition to a person holding a properly accredited travelling card so long as such card was fairly obtained," and this decision was affirmed at the next session of the International.⁴³

⁴⁰ Proceedings, 1869, pp. 16, 54.

⁴¹ *Ibid.*, 1870, p. 31.

⁴² *Ibid.*, 1871, pp. 33, 71.

Since 1879 the subject has not been before the International Union. The Union has never formally required that negroes, if competent, must be admitted to membership; but since 1899 a negro if refused admission may appeal to the International president.⁴³ The whole question has attracted little interest among the Printers because the negroes are a negligible element in the trade. The number of negro printers, lithographers, and pressmen in the United States at the census of 1900 was only 1221. They are engaged very largely in separate offices in doing work for their own race.

The local unions retained until recently the right to reject any candidate for membership unless the rejection was because the candidate belonged to a class of printers which the International had declared should be admitted. The rejection of a candidate might have been the result of personal feeling, of factional pique, or of the desire to monopolize work; yet in none of these cases had the applicant any redress. In order to place some check on the freedom with which the local unions rejected candidates, it was first proposed that the International should specify the number of votes necessary to reject. In many of the local unions a very small number of votes was sufficient to blackball. It was argued that if a candidate might not be rejected except by a considerable number of votes, the number of rejections on improper grounds would be decreased. In 1893 President Prescott vigorously advocated the adoption of such a rule. As a result of this recommendation, the International Union adopted a rule that if three-fourths of the members present at any meeting of a subordinate union voted for the admission

⁴³ Proceedings, 1879, pp. 9, 35.

⁴⁴ See below, p. 323.

of the applicant, he should be admitted.⁴⁵ In 1898 President Prescott urged that the rule should be again changed so that a majority vote would suffice to admit; but up to the present this has not been done.

In 1898 the International president secured, however, the adoption of a rule that any candidate for admission whose application had been rejected should have the right of appeal to the International president and the executive council.⁴⁶ This rule has practically made the president and the executive council the judges of the qualifications of candidates. The local union still retains the nominal right to pass upon candidates; but every applicant can secure a rehearing of his claim to membership before an International officer. Since the International Union has never defined the necessary qualifications of candidates, the officers are almost entirely free in interpreting the "practice and law" of the union.

The International president in his decisions has proceeded on the theory that a "practical printer" may be refused admission only on one of two grounds—"anti-union conduct" and incompetency.⁴⁷ "Anti-union conduct" is, of course, difficult to define, but in general the officers have forced the unions to admit applicants guilty of minor offences. Thus where a printer came from a small town to work in a non-union office and claimed ignorance of the existence of the union, he was ordered admitted.⁴⁸ In the cases of expelled printers whose appli-

⁴⁵ Proceedings, 1893, pp. 12, 159.

⁴⁶ *Ibid.*, 1898, pp. 20, 105.

⁴⁷ In a decided case, President Lynch said: "We are not conducting a close association and we say to all printers regardless of sex or color that, if they are competent and their records are clear, they shall have opportunity to join the trade and work as union members" (President's letter book [MS.], 1905, Vol. 69, p. 614.

⁴⁸ *Ibid.*, Vol. 44, p. 693.

cations for readmission have been rejected, the president has usually contented himself with advising the local union to admit the applicant; but where the local union has carried its reluctance to an extreme point, and where the candidate has shown himself anxious to reassume membership, the president has ordered his admission.⁴⁹ Competency must largely be judged by local standards and each union has the power to reject candidates not coming up to that standard; but, where incompetency has been alleged as a reason for not admitting a candidate, the president has required that the incompetency shall be proved.

The appeal cases of the applicants show a strong feeling in some local unions in favor of excluding applicants in order to monopolize employment. In one instance a local union alleged as a reason for rejecting an applicant that "good, old time printers had to walk the streets while she [the applicant] was working." The president in ordering the admission of the candidate said: "It has never been the policy of the International Typographical Union to reject applicants for membership because union members may be at the time out of work."⁵⁰ Another union, which forbade employers not members of the union to work at the trade, refused to admit certain employers on the ground that, if they were allowed to work, they would displace union members.⁵¹

The exclusion from the union of some printers entitled to admission is inevitable, since the International officers intervene only on complaint. Undoubtedly, many applicants for membership who are rejected, and who might secure admission by an appeal to the International president, are either not aware of this right or do not avail

⁴⁹ President's letter book [MS.], Vol. 46, p. 717.

⁵⁰ *Ibid.*, Vol. 69, p. 614.

⁵¹ *Ibid.*, Vol. 49, p. 178.

themselves of it. The constant reviewing of cases has had, however, the effect of making the local unions more considerate of the claims of an applicant. Moreover, although a local union may charge any initiation fee it pleases, high initiation fees, as a means of exclusion, are rarely found among the Printers. The majority of the local unions charge an initiation fee of \$5, although some unions exact a larger fee, somewhat in the nature of a fine, from persons who have been expelled or from those who have never belonged to the union, but have worked in non-union shops in organized towns.

CHAPTER XVIII

COLLECTIVE BARGAINING

Collective bargaining among the Printers was entirely on a local basis until 1885. The local unions sometimes amended their scales without consulting employers, but the larger unions ordinarily found it advisable to confer with them before making radical changes. No continuous organizations of employers for dealing with the unions appear to have existed,¹ but temporary employers' associations were frequently formed when changes in the scale were under discussion. At a very early date, the unions began to take precautions against hasty and ill-considered changes in their scales. The New York Typographical Association in 1833 required that a motion to amend the scale of prices should not be acted upon until the expiration of two months. The Columbia union, when adopting a revised list of prices in 1837, enacted: "No alteration or amendment shall be made in the foregoing list of prices, unless two-thirds of the members present concur therein; nor then without one month's previous notice having been given."² Provisions of a like kind were incorporated in the constitutions of many of the unions.

The formation of the National Typographical Union in 1852 introduced no modification in the method of con-

¹ Employers' associations for the purpose of maintaining prices for work were formed at a very early time. The Company of Printers of Philadelphia was organized in 1794; the Faustus Association of Boston was active from 1805 to 1815. Similar associations have been formed almost constantly since then.

² Constitution of the Columbia Typographical Society (Washington, 1837).

ducting collective bargaining. The entire independence on the part of the local unions of any central control precluded any effective regulation of local bargaining by the National Union. Under these circumstances, the national organization confined itself to the formulation of vague rules designed to prevent strikes. In 1853 the National Union declared that it regarded "as injudicious a frequent resort to strikes on the part of journeymen." In 1857 strikes were declared to be "inexpedient except where the rules or principles of the National or a subordinate union may have been violated," and subordinate unions were urged "to adopt some conciliatory method of making important changes in their scale of prices, etc."³ In 1876 the International Union required "subordinate unions not to order a strike without at least a three-fourths majority vote of the union, all the members being constitutionally notified of the meeting." Members were not to vote on the question of a strike unless they had belonged to the subordinate union at least six months.⁴ Since the unions in case of strike were not aided by the International, disobedience to these rules carried no penalty. The deliberate expression of the central organization concerning the proper procedure to be followed in inaugurating strikes undoubtedly strengthened the hands of the conservative element in the local unions; but beyond this the strike rules were ineffectual.

After many years of discussion, the International Union in 1885 decided to establish a defense fund for the support of unions on strike.⁵ Provision was made that the members of a local union should not receive strike relief

³ Proceedings, 1857, pp. 27, 31.

⁴ *Ibid.*, 1876, p. 65.

⁵ For an account of the long continued efforts to secure the establishment of such a fund, see pp. 33-39.

unless the strike had been sanctioned in advance by the International executive council. An effective control of strikes was thereby placed in the hands of the International Union. Directly or indirectly, all recent developments in the methods of collective bargaining in the union are the outcome of the establishment of the defense fund. The period since 1885 has been marked (1) by an increasing control on the part of the International officers over the bargaining of the local unions, (2) by the formation of employers' local and national associations which deal as units with the local unions and the International Union, and, finally, (3) by the wide extension of a system of formal contracts sanctioned in many cases by the International Union.

Control of Local Bargaining.—The rules establishing the defense fund were faulty in many respects, but chiefly in that the carrying on of bargaining was left almost entirely in the hands of the local unions. In order to secure aid from the fund, the local union had to obtain the consent of the executive committee, consisting of the president, the chief organizer, and a vice-president or a state deputy. These officers, located in various parts of the country and receiving small salaries, devoted only a small part of their time to the work of the union, and were necessarily unable to exercise any effective control over the bargaining of the local unions. In his annual address at the session of the International in 1886, President Aimison said: "Either the whole question of strikes should be placed under the control of the executive committee or the law repealed. It may be thought that the approval by the council of a strike before the fund can be used places the subject-matter sufficiently under control. But the fact that steps can be taken from which no retreat is possible before the council is notified is a

danger not to be avoided under the law as it now stands. Experience convinces me that many if not most of the strikes which occur are either without adequate cause, are ill-timed, or are hopeless of success; and I fear that in numerous instances the spirit of the law is disregarded, that to secure the necessary majority to order a strike the rights of the minority are trampled upon. These facts, the sufficiency of the cause, the propriety as to the occasion and the legality of the method . . . should be ascertained before a strike is approved. They cannot be ascertained without the presence upon the ground of an International officer."

In accordance with this advice, the session provided that, whenever a disagreement occurred between a local union and an employer which was likely to result in a strike, the local union should immediately notify the chief organizer. This official was to proceed at once to the place and investigate the cause of disagreement. He was to endeavor to adjust the difficulty by conferring with both sides. If his efforts failed, he was to inform the other members of the International executive council of all the circumstances. If a majority of said council decided that a strike was expedient and justifiable, the union might be authorized to order a strike. In 1888 the work of supervising the bargaining of the local unions was entrusted to seven district organizers elected by the delegates at the session of the International.⁶

The method of selecting organizers by districts was by no means satisfactory. In 1893 the president urged upon the delegates at the session of the International the importance of greater care in selecting these officials. "The great majority of strikes," he said, "arise from technical violations of the scale by employers, and our members,

⁶ Proceedings, 1888, p. 146. See above, p. 262.

fearful that the encroachment is but the forerunner of other and more comprehensive demands, are naturally enough inclined to resist at the outset . . . Our chief reliance in avoiding difficulty at this stage must necessarily be the organizer, and if that official fails to meet the question courageously all hope of adjustment can be abandoned." The organizers usually remained in office only a short time, since new delegates from the district commonly regarded the position as part of the spoils of union politics. A second defect in the system was that the organizers were paid by the day and usually secured only a few weeks' work each year. Thus in the year 1895-1896, forty-six organizers and deputy organizers received pay for aiding unions in the work of bargaining. The highest amount paid to any one of them was \$155. All of these officials were actively engaged in the printing industry as workmen.

A reform in the system was clearly advisable. Permanence in office and continuity in employment were advocated as requisites for securing efficient organizers. In 1896 President Prescott recommended this policy with great force. "It would be incomparably better," he said, "to have one or two men devoting their entire time to the work now devolving on the organizers. As practice makes for perfection, those officials would soon become adepts in the art of organizing, treating with employers, and managing strikes." A proposed amendment giving the president the power of appointment was defeated on account of the strong feeling against centralization.⁷ Similar proposals for a reform in the system, brought forward at almost every session of the Union and twice submitted to a vote of the membership, were defeated until the session of 1901, when the power of appointment was

⁷ Proceedings, 1896, pp. 114, 116.

vested in the president.⁸ The organizers are still paid by the day, but the abolition of the district system has made it possible to employ several of them continuously.⁹ The International Union has thus, after a delay of many years, secured a staff of experienced officials who assume charge of the bargaining of the subordinate unions whenever it appears likely that a breach of industrial peace is threatened.

The following table, compiled from the reports of the secretary-treasurer, shows the amounts expended by the International Union for the salaries and expenses of organizers engaged in bargaining, and the amounts paid to local unions in difficulties with employers:

EXPENDITURES FROM DEFENSE FUND

	Paid to unions	Paid to organizers ¹	Percentage of total paid to organizers
1890	\$11,519.50	\$1,346.61	.10
1891	18,227.69	1,812.09	.09
1892	48,616.63	2,212.09	.04
1893	44,860.72	3,601.39	.07
1894	29,959.78	4,874.91	.14
1895	21,602.81	3,155.02	.13
1896	18,760.58	4,568.77	.19
1897	45,262.55	12,202.18	.21
1898			
1899	19,080.74	7,806.81	.29
1900	79,608.71	11,699.80	.13
1901	13,009.39	10,277.58	.43
1902	14,442.67	13,238.48	.48
1903	15,106.92	14,622.63	.49
1904	54,558.22	15,220.64	.22
1905	19,360.16	16,995.41	.47
1906	755,435.81	43,857.79	.05
1907	1,407,719.66	45,389.68	.03
1908	567,775.97	46,026.66	.07

¹ Until 1905 exclusive of expenses incurred in organizing new unions, and since then inclusive of such expenses. The amount spent for organizing is relatively so small, however, that the figures for all the years are comparable.

⁸ Proceedings, 1901, p. 116.

⁹ In the fiscal year 1907-1908, about twenty-five organizers made reports; of these, ten received in salary and travelling expenses

While the sums paid to local unions vary greatly in different years, the amount expended annually on account of the corps of organizers has almost steadily increased. If the expenditures in any five years prior to 1906¹⁰ are compared with those in any preceding period of equal length, it becomes clear that the Typographical Union spends an increasing part of its defense fund in carrying on collective bargaining and a decreasing part in outlay for strikes. Thus, in no year from 1890 to 1895 was the expenditure for organizers greater than 14 per cent of the total amount paid from the defense fund, while in four of the years from 1899 to 1905 the expenditure for organizers was approximately 50 per cent of the total expended for "defensive" purposes, and in only one year did it go as low as 13 per cent. The usefulness of the force of organizers in averting strikes has been strongly praised by the International officers. Secretary-Treasurer Bramwood said in his report for 1898: "To the casual reader the sum expended in travelling expenses by the organizers and officers may seem large, but it is impossible to estimate the money saved local unions or the International by these arbiters, who, in many instances, averted serious conflicts between employers and employees."

After the International defense fund was established, many of the larger unions continued to finance their strikes without the aid of the central treasury. The

upwards of \$2000 each. None of the others received as much as \$1000 and some were paid only a few dollars. Thus, the organizer at Helena, Mont., was paid \$96.85; the organizer at Denver, \$64.25; the one at Toronto, Can., \$9.35. The organizers are not definitely located in certain districts and frequently organizers of special ability are sent for special work into other districts, but a more or less clearly recognized territory is assigned to each organizer.

¹⁰ The small percentage of the total expended for organizers in 1906-1908 inclusive was due to the strike for the eight-hour day, which involved an abnormally heavy outlay for strike relief.

power of the International Union to control bargaining was thus limited to those cases in which aid was expected. Although the "general laws" of the International required that no strike or lockout should be "deemed legal" unless "authorized or recognized by the executive council," and, also, that "to affect union men prejudicially to their standing in the Union the strike must have been authorized in accordance with the [International] law," local unions frequently disregarded these provisions and declared strikes without consulting the executive committee. As the interests of the union became more fully nationalized and a national policy developed, the members came to realize that a striking union, even though it paid its own expenses, might seriously imperil the success of an International policy. The unhappy outcome of two unsanctioned strikes in the fiscal year 1903-04 led to the enactment by the session of the International in 1904 of a rule which required the council to "immediately disown" all strikes occurring without its sanction, and "to guarantee protection to all members who remain at, accept, or return to work in offices affected by an illegal strike."¹¹

In another way, also, the increasing control of the International has tended to decrease the number of strikes. As has already been noted, the local unions, before the establishment of the defense fund, had endeavored to guard themselves against hasty action by inserting in their constitutions provisions intended to secure deliberation. Although these provisions were undoubtedly useful, yet in times of excitement, when opinion was running strongly in one direction, the union was able to evade them, since they were self-imposed. The precautions

¹¹ Proceedings, 1904, p. 137.

taken against hasty action under the "defense fund law" are much more effective. In order for a strike to be "legal", the following steps must be taken: first, an organizer inquires into the dispute; secondly, if the organizer cannot adjust the difficulty, the executive council decides whether a strike shall be authorized; third, the president of the local union calls a special meeting of the union, at which only those members who are in good standing and have been members of the local union for six months are allowed to vote. If three-fourths of such members are in favor of a strike, it is inaugurated.

Bargaining with Employers' Associations.—While the employees in the printing trades have formed their unions along craft lines, the employers have ignored such distinctions in their own organizations. From the standpoint of the employers, the printing business consists of two essentially distinct branches: newspaper publishing, and book and job printing. Only in the smaller towns do the newspaper publishers and the book and job printers unite in a single organization; and such associations are rarely long-lived, and have never attained the dignity of a national organization. The effective employers' associations are thus confined to the larger cities, where the differentiation between the two branches of the trade is complete. As a result the organization of the employers is by no means coëxtensive with that of the employees. Thus, in July, 1904, typographical unions were active in 600 towns and cities in the United States and Canada, while the employing book and job printers had organizations affiliated with their national association in only 54 cities, and the newspaper publishers were organized in only 113 places. The importance of the employers' associations, however, is far greater than is thus indicated, inasmuch as the 54 cities organized by the book and

job employing printers include the chief printing centers in North America.

Prior to 1887 associations of book and job printers for the purpose of negotiating collectively with the unions were usually temporary. The New York Typothetae, founded at a meeting in Tammany Hall, December 26, 1862, is the oldest association of master printers now existing in the United States. Interest in the organization died out after a few years, but in 1883 the association was revived.¹² In 1886 *The American Bookmaker*, a trade journal, urged the formation of similar societies in other cities; and within a short time typothetae were organized in Chicago, St. Louis, Cincinnati, and Richmond.¹³ The rapid increase of these associations was due to the agitation which was being carried on at that time by the union for a reduction in working hours.

In September, 1887, the Chicago typothetae issued an address to the employing printers of the United States and Canada calling a convention "for the purpose of devising plans for united action upon the recent demand of the International Typographical Union that nine hours shall constitute a day's work." Representatives from seventeen local associations of employing printers met in Chicago, October 18-20, and formed a national organization,—*"The United Typothetae of America."* A committee from the International Typographical Union assembled in Chicago at the same time, and proposed, if the Typothetae would concede the nine-hour day, to instruct the subordinate unions to reduce their wage scales proportionately.¹⁴ This offer was rejected and the union abandoned for a time its design of reducing the length of the working day.

¹² *The American Bookmaker*, Vol. 1, p. 10.

¹³ *Ibid.*, Vol. 3, *passim*.

¹⁴ *Proceedings of the United Typothetae*, 1887, p. 22.

The structure of the Typothetae was intentionally loose. "Our society," said President DeVinne in his address at the second convention, "is unlike any in the trade. It is voluntary and not coercive. We are here as free-men, not pledged to blind obedience in support of any leader or policy—it is not in *our* plan to coerce unwilling or half-willing members in obedience to a policy they do not approve. We are here for counsel and for that cheerful and voluntary concert of action which comes only from a conviction of the justice of the counsellings." The members of the Typothetae were not bound to follow any line of action recommended by the national body, and the assessments were very small. The annual income of the Typothetae, as late as 1902, was barely \$3000; the greater part of this sum was spent in publishing and distributing the report of the convention proceedings.¹⁵

The slight control possessed by the Typothetae over its local branches was an obstacle to the development of relations with the union. In 1888 the International appointed three representatives to confer with the Typothetae "with a view to establish a basis upon which a good understanding and honorable peace may be secured." In answer to a communication from this committee, the Typothetae replied: "There exists no matter of difference between the two bodies which would come properly under the jurisdiction of the United Typothetae. If any misunderstandings or disputes exist they should be settled by the local typothetae interested."¹⁶

¹⁵ The Typothetae has other functions besides bargaining with the unions in the trade. It is interested, for example, in teaching master printers to estimate more carefully the cost of executing work, in securing cheaper insurance, and in industrial education for printers.

¹⁶ Proceedings of the United Typothetae, 1888, pp. 31, 32.

The committee from the International Union persisted in its proposal and requested permission to discuss: first, a proper apprenticeship system; second, separate unions for the book and job printers; third, withdrawal of foremen from union membership; fourth, arbitration. The matter was referred by the Typothetae to the executive committee, and in an informal discussion the committee from the International Union, according to its report, was informed "that the United Typothetae had no jurisdiction over the local typothetae in the matters suggested for conference, and the executive committee could not enter into an agreement that would bind the local typothetae, their powers being only advisory." The committee accordingly reported to the next session of the International: "After examining the subject we find that the National Typothetae claim that they have no power to make contracts which would be binding on others, all such power, if any exists, being vested in the local bodies," and recommended that the subordinate unions "take some action toward negotiating as a body with the local typothetae."¹⁷

The union and the Typothetae were brought into conflict in 1891 by a strike of the Pittsburg union for the introduction of the nine-hour day. The executive council of the International sanctioned the strike, and the United Typothetae indorsed "the action of the Pittsburg Typothetae in resisting the recent demands made by the Typographical Union of that city"; and pledged its "heartly support in every practicable form."¹⁸ The Pittsburg strike was thus in effect a struggle between the International Union and the United Typothetae fought out through local branches. The Typographical Union lev-

¹⁷ Proceedings, 1889, pp. 11, 12, 95.

¹⁸ Proceedings of the United Typothetae, 1892, p. 28.

ied an extra assessment on its members and spent upwards of \$60,000 in carrying on the strike. The United Typothetae, adhering to its policy of voluntary action on the part of its members, collected by contribution a sum of money for securing the adjudication of certain legal questions raised by the strike. Typothetae in other cities aided the Pittsburg branch with workmen and in other ways. After two years' duration, the strike was lost by the union.

It was not until 1898 that the International Union and the United Typothetae developed any direct relations. By that time, many of the local typothetae had agreed to grant the nine-hour day, and many employing printers in other cities were averse to further opposition. The shorter workday committee of the International Union had already set a date on which the local unions were to demand the nine-hour day. While affairs were in this state, the United Typothetae held its annual convention. Representatives of the Pressmen and of the Typographical Union were permitted to address the convention, and the Typothetae appointed a committee to confer concerning the introduction of the nine-hour day. This conference—known in the trade as the Syracuse Conference—agreed upon a plan for the reduction of the hours of work to nine. The representatives from the Typothetae were unable to bind the members of that organization, and could go no further than earnestly to recommend the observance of the agreement to their fellow-members.¹⁹ Practically all the members of the Typothetae adhered to the agreement.

Decided opposition to the holding of conferences with the union manifested itself at the meeting of the Typothetae in 1899. Many of the members of the local ty-

¹⁹ Report of Conference of Committees on Shorter Workday (Boston, 1898), pp. 183, 184.

pothetae were employers of non-union workmen, and objected to conferences on the ground that they felt themselves under obligation to abide by agreements of the United Typothetae with the International.²⁰ In the same year the differences between the two organizations were increased by a strike at Kansas City. The typothetae of that place secured the aid of the United Typothetae in resisting the demands of the local typographical union. A number of points were involved in the dispute, but the Typothetae gave help to its local branch on the ground that the strike had been called for the purpose of unionizing the offices.²¹

Many of the local typothetae by 1898 had developed into efficient associations for bargaining purposes. A difficulty, however, was encountered in dealing with the local unions, in that the unions were unable to submit to local boards questions covered by the International rules. An important case of this kind occurred in New York in 1902. The New York typothetae and the local typographical union concluded an agreement to refer to the International and the United Typothetae for arbitration "such points as conflict with the present International Typographical laws." Among these was the rule requiring that the foreman should be a member of the union. The executive council of the International declined, however, to sanction the arbitration of the rule.²² The next session of the International indorsed this action, and ordered the executive officers not to submit any of the rules of the Union to arbitration. In 1902 the International executive council and the executive committee of the United Typothetae met and discussed the formation of

²⁰ Proceedings of the United Typothetae, 1899, p. 75 *et seq.*

²¹ Proceedings, 1900, p. 74 *et seq.*; Proceedings of the United Typothetae, 1900, pp. 42, 43.

²² Proceedings, 1903, p. 154.

an agreement for the settlement of local disputes by a national board. The representatives of the International Union refused to make any agreement which did not provide for the closed shop, and the Typothetae committee insisted on the insertion of a provision that for five years the working day should remain a nine-hour day.²³ These differences proved irreconcilable.

The Kansas City strike, the action of the International in the New York case, and the failure to agree on an arbitration plan led many members of the United Typothetae to favor the strengthening of that organization. In 1900 a plan for raising a national "emergency fund" was adopted; but, since many members of the Typothetae had no relations with the unions, payment to the fund was made voluntary, and only a few of the members subscribed.²⁴ The Buffalo typothetae proposed in 1901 radical amendments to the constitution, with a view to strengthening the control of the Typothetae over its branches; but the advocates of the old regime triumphed in the convention; a new plan for raising a voluntary "defense fund" was adopted, and the consideration of proposed changes deferred for a year. When the convention met in 1902, the same differences of opinion manifested themselves. A partial agreement, however, was reached on the question of revenue; and the convention increased the assessment on local organizations sufficiently to provide for the employment of a paid official as secretary.²⁵ In 1903, also, a considerable defense fund was raised by voluntary subscription.²⁶

²³ Proceedings, 1902, pp. 93, 94; Proceedings of the United Typothetae, 1902, p. 55.

²⁴ Proceedings of the United Typothetae, 1901, p. 29.

²⁵ *Ibid.*, 1902, p. 138.

²⁶ MS. Minutes of the Executive Committee of the United Typothetae.

The agitation which had been begun by the Typographical Union for the eight-hour day strengthened the advocates of centralization in the Typothetae; and at the session of 1904 a new constitution was adopted by a unanimous vote. This instrument gave the national organization large powers. Under it the United Typothetae might "legislate for its membership and determine all questions arising between them or it and the trade unions or other employees in regard to shop practice, hours of labor, apprentices, and every other question except wages." The local typothetae were to retain complete control over questions of wages. The assessment on each \$1000 of wages paid by the members in the mechanical departments of their offices was increased from 25 cents to \$5. The emergency fund was to be maintained from the general assessment and not, as before, by voluntary contributions. The executive committee might pay any member who had a strike in his office an amount equal to his entire loss, or such part thereof as might seem best; but such payments were to continue only for three months except by special resolution.²⁷

At the same session, in response to a request from the officers of the Typographical Union, the Typothetae made a statement of its position with reference to the proposed introduction of the eight-hour day. In a series of resolutions, it expressed the belief that any attempt, under the conditions then existing, to shorten the working day would be "disastrous to the employer and employee alike", and declared its purpose to "resist any attempt on the part of the International Union to reduce the present hours of labor."²⁸ The grounds of the opposition to the introduction of the eight-hour day were set forth by local asso-

²⁷ Proceedings of the United Typothetae, 1904, pp. 178, 182.

²⁸ Proceedings, 1904, p. 7; Proceedings of the United Typothetae, 1904, p. 152.

ciations of the employing printers in various resolutions. It was claimed that work would be given to foreign countries; that the amount of work done would be lessened, and that the employing printers could not advance their charges to their customers sufficiently to make a reasonable profit.²⁹ The fact that costly machinery is used in composing rooms was emphasized in its relation to the cost of production. Mr. Ellis, the president of the Typothetae, estimating the fixed charges as equal to the labor cost, declared that by a reduction of the working day from nine to eight hours, the cost of production would be increased from 18 to 25 per cent.³⁰

In anticipation of the attempt of the union to enforce the eight-hour day, the Typothetae made energetic preparations for resistance. Meetings were held in various sections of the country and the employing printers were urged to prepare for a struggle. The issue was also broadened. The opposition to the closed shop was put in the foreground as of even greater importance than the question of hours. The impending struggle was thus made of deeper concern to both sides. By the prominence given the closed shop issue, the Typothetae won the enthusiastic aid of the numerous local organizations of employers usually known as citizens' alliances. These associations had multiplied rapidly since about 1900, and in many cities had been able either to disrupt the trade unions or to seriously limit their power. The citizens' alliances were especially valuable allies to the Typothetae because their members controlled valuable printing patronage.

In August, 1905, President Ellis of the Typothetae, on invitation, addressed the session of the International

²⁹ Proceedings of the United Typothetae, 1905, p. 49.

³⁰ Proceedings, 1905, p. 162.

Union. He held out no hope of an agreement, but warned the delegates that "disastrous warfare" would result if the union persisted in its demand for the introduction of the eight-hour day on January 1, 1906, the date which had been fixed by the union. A final conference was held at Niagara Falls on September 7, 1905, during the session of the United Typothetae. The representatives of the union expressed their willingness to postpone the date on which the eight-hour day was to be demanded if the Typothetae was willing to agree to the introduction of the shorter workday at some later time. The Typothetae instructed its committee to reply that the convention after deliberation was "unwilling to consider any agreement leading toward the eight-hour day."³¹

Even before the breaking off of negotiations the struggle had already begun. Early in August, 1905, non-unionists were put to work in union offices in Detroit and in San Antonio, Texas. In both places strikes were declared by the union. Immediately after the adjournment of the Typothetae convention in September, several of the largest offices in Chicago also put non-unionists at work, and strikes were immediately declared.³² The union had determined from the outset that the best, if not the only practicable plan for obtaining the eight-hour day, in default of a peaceable agreement, was by a national strike, and for that reason a date had been set for a simultaneous demand by the local unions. It was reasoned that if the printers were "called out" in one city at a time, the employers in each city, having the non-unionists of the entire country to draw from, could obtain workmen. As difficulties multiplied in various places, the officers of the International decided to anticipate the date

³¹ Proceedings of the United Typothetae, 1905, p. 71.

³² *Typographical Journal*, Vol. 27, p. 288.

which had been set and to make at once a general demand. Accordingly, on September 8 and 9, 1905, the International council instructed those local unions which were not bound by contracts to demand that the employers should sign immediately agreements to give the eight-hour day on January 1, 1906. Where the employers refused to grant the demand, the members were at once to cease work.³³

The strike which followed was unparalleled in extent in the history of the union. The members of the union who were working more than eight hours at the outbreak of the strike numbered about 30,000 out of a total membership of 47,000. Many of the book and job shops not affiliated with the Typothetae capitulated at once. On January 27, 1906, the International officers reported to the membership that 37,741 members were working eight hours; that 4977 were on strike,³⁴ and that 4626 were working nine hours under unexpired contracts.³⁵ As the contracts of other local unions expired, the number of strikers increased until at the end of February, 1906, 5079 printers were on strike. The number of strikers remained fairly constant at about 5000 for some months.³⁶

The Typothetae offices naturally made the most successful resistance. The United Typothetae supplied its members with non-union printers, drawn in part from the non-union shops in the large cities, but chiefly from the smaller and unorganized places. A "flying squadron" of

³³ *Typographical Journal*, Vol. 27, p. 417.

³⁴ In addition, about 1000 apprentices, pressmen, stereotypers, etc., were being paid benefits.

³⁵ *Typographical Journal*, Vol. 28, p. 128.

³⁶ For an estimate of the cost of the strike, see p. 80; the effect of the strike on the membership and number of local unions is described on p. 157.

skilled printers was sent to places where the greatest trouble was experienced in operating the offices. The members of the "squadron" were scattered among the "struck" offices "to form a backbone as it were around which a permanent force could be built."³⁷ As had been anticipated, the other employers' associations rendered valuable aid. The secretary of the National Manufacturers' Association, for example, in a widely circulated letter, requested advertisers to allow their advertisements in the magazines to go unchanged for a time so as to save labor for the publishers during the strike.

The effect of the eight-hour strike was to sever completely the relations of the Typothetae and the union. Although the union was able to establish the eight-hour day in the trade, the greater part of the Typothetae offices were able to supply themselves with non-union workmen. The Typothetae has been, since then, strongly opposed to having the Printers unionize the offices of its members. The points of difference between the two organizations are so numerous and so important as to make it unlikely that relations will be resumed in the near future. The Typothetae is opposed to the union office, and to the union foreman; and the Printers regard these requirements as necessary for the enforcement of their trade regulations.

The development of bargaining between the union and the newspaper publishers has been along entirely different lines from that with the Typothetae. The American Newspaper Publishers' Association was organized in 1887; but for the first thirteen years of its history the Association did not concern itself with the relations of its members to the unions. During this period the chief function of the Association was the maintenance of a

³⁷ Proceedings of the United Typothetae, 1906, p. 15.

credit bureau, through which members were informed concerning the financial standing of advertisers and advertising agents. A series of difficulties with the Typographical Union in the years 1898-1900 led the local associations of newspaper publishers to strengthen their organizations. In 1898 the Chicago newspapers suspended publication for four days in a united resistance to the demands of the stereotypers, and the publishers signed an agreement not to deal separately with a union on strike.³⁸ In 1899 the Pittsburg publishers' association refused to agree to the demand of the Pittsburg typographical union for jurisdiction over the machine tenders and proof readers, and a general strike of the newspaper offices resulted.

These occurrences led the American Newspaper Publishers' Association, in February, 1900, to appoint a special standing committee to have charge of labor matters. The committee began its work by employing a commissioner, who was given charge of negotiations with the unions. The chief difficulty in forming an agreement with the Printers was that many members of the Association employed non-union printers.³⁹ If an agreement binding on all the members had been made, many publishers would have withdrawn, and the primary aims of the Association would have been sacrificed. Working within these limitations, the Association has directed its efforts, not to the establishment of a system of national collective bargaining, but to providing a method of peaceable adjustment for local disputes.

At the session of the International Typographical Union held at Milwaukee in 1900, Commissioner Driscoll

³⁸ *Typographical Journal*, Vol. 13, p. 58, *et seq.*; Proceedings, 1899, p. 66.

³⁹ In January, 1901, for example, of 125 reporting their relations with the unions, 74 had union composing rooms and 61, union stereotype rooms (Statistics of Daily Newspaper Offices for the Year 1901).

proposed the formation of an arbitration agreement, and the session instructed the executive council to negotiate such an agreement. Accordingly, a plan for arbitrating disputes was drawn up at a conference between the executive council of the Union and a committee of the American Newspaper Publishers' Association. This agreement was submitted to a vote of the membership of the union and ratified by a large majority. The agreement provided that any member of the Publishers' Association who had a contract with a local union might enter into an additional contract with the International. In case of a dispute with a local union over the interpretation of the contract, the questions in dispute were to be submitted to local arbitration. If, however, local arbitrators could not be agreed upon, or if the finding of the arbitrators proved unsatisfactory to either party, the matter might then be submitted to the national board of arbitration, consisting of the president of the Typographical Union, the commissioner of the Newspaper Publishers' Association, and, in the event of their disagreement, of a third arbitrator selected by the board. The life of the arbitration agreement was limited to one year.

The essential parts of the arbitration agreement were (1) the provision that pending the decision of the board work should be continued in the office of the publisher, and (2) the compact that, "in the event of either party to the dispute refusing to accept and comply with the decision of the national board of arbitration, all aid and support to the employer or local union refusing acceptance and compliance shall be withdrawn by both parties to the agreement." As the arbitration agreement did not provide for the arbitration of all differences but only of those arising under a verbal or written contract, strikes might still occur at the expiration of a contract.

The agreement did not afford security against sympathetic strikes. According to a rule of the Typographical Union, subordinate unions were required to insert in all their contracts a clause providing that the contract should be null and void in case of the strike or lockout of any affiliated union, provided that such strike or lockout occurred "after all efforts of arbitration had failed." In 1901 Commissioner Driscoll secured the insertion of an additional proviso that such failure should be "through the fault of the employer"; and a year later the International repealed the rule.⁴⁰ The continuance of contracts under the arbitration agreement was thus made entirely independent of sympathetic strikes.

A further step in the development of the arbitration agreement was taken in 1902, when, at the expiration of the old agreement, a new one was negotiated for the term of five years. The new agreement was substantially identical with the old one except that it covered disputes arising over scales and hours in the making of new contracts. Naturally, the number of cases coming up to the national arbitration board increased greatly. Under the agreement as it stood prior to May 1, 1902, only one case was decided by the national board. In the year May 1, 1902, to May 1, 1903, twelve cases were settled under the revised agreement. This increase was not due chiefly to the increase in number of publishers who had arbitration contracts, but to the extension in the scope of the agreement. All of the twelve cases settled in 1902-1903 were disputes concerning the terms of new contracts.

The increasing number of cases subjected the agreement to a severe strain. The method of procedure in arbitration cases had been only roughly outlined, and the president of the Union asserted that, in certain cases, the

⁴⁰ Proceedings, 1901, pp. 109, 141; *Ibid.*, 1902, p. 140.

procedure had been of a kind to forfeit the right of the publishers interested to the protection of the agreement. In two cases he refused to act as an arbitrator; and the local unions were instructed to enforce, if necessary by strikes, their revised scales. The greater part of the irregularities complained of were easily corrected. The special standing committee of the American Newspaper Publishers' Association and the executive council of the Typographical Union drew up a code of procedure governing future arbitrations, and a definite interpretation was given to certain sections of the agreement concerning which controversy had arisen.⁴¹

One of the questions thus settled, temporarily at least, was of great importance and illustrates a prime difficulty in the relations of the Union and the Publishers. In one of the cases which President Lynch refused to arbitrate, the publishers wished to bring before the arbitration board certain shop practices covered by the rules of the International. Many of the rules of the International and of the local unions define shop practices, and the employers were naturally desirous that such rules should be subject to arbitration. President Lynch held that under the agreement only hours and wages were to be arbitrated. In this decision, he was unanimously sustained by the next session of the International.⁴² The committee on arbitration thus defined the position of the union: "International Typographical Union law in existence at the inception of the arbitration agreement cannot be arbitrated for the reason that only by referendum vote can it be receded from or altered. The International Typographical Union constitution and by-laws, like those of the United States government, represent what the members

⁴¹ Proceedings, 1904, pp. 37, 38.

⁴² *Ibid.*, 1903, p. 153.

of this Union believe to be principles that cannot be arbitrated, and their arbitration was never contemplated. They are necessary to the life of the organization and must be maintained."

On May 1, 1907, a third agreement, to extend for five years, was concluded. It differs in important respects from the two earlier ones. In the first place, a local union may, if it sees fit, prevent the making of an International contract with a publisher. Hitherto, the contracts had been purely voluntary on the part of the publisher, but a local union could not prevent a publisher from obtaining such a contract. Secondly, the new agreement provides for the settlement of disputes by bargaining instead of by arbitration. It was believed that boards made up entirely of employers and unionists would give more satisfactory decisions than had been given by arbitration, since all the members of the boards would be intimately acquainted with the conditions of the industry. The local boards under the 1907 agreement consist of four members, two of whom are named by the local unions and two by the local publisher or publishers. In the event that a local board cannot reach a decision, the case is referred to the national board, consisting of the three members of the executive council of the International Union and the three members of the standing committee of the publishers. Thirdly, it is provided that the rules of local unions "affecting wages, hours, and working conditions" are to be subject to the decisions of the boards.⁴³

The chief advance made in the agreement of 1907 was the extension of the scope of the agreement to cover all the rules of the local unions relating to the conditions of employment. In the decisions rendered under the agree-

⁴³ Proceedings, 1906, p. 28.

ment, the national board has shown itself inclined to prevent the formulation by the local unions of new shop rules, and a considerable source of friction has thus been removed. The rules of the International Union are, however, expressly exempted from consideration.⁴⁴ It follows that a great part of the working conditions in union newspaper offices are still determined without any consultation with the Publishers. Such important regulations as "the priority law" and the rules relating to the exchange of matter, in so far as they rest on International rules, cannot be made a subject of dispute. The Publishers are far from satisfied with many of the existing trade regulations of the union. At different times the Commissioner has complained in his annual address to the session of the International concerning the following rules of the union: the "priority law", the rules governing the exchange of matter and the use of matrices, the requirement that the foreman shall be a member of the union, the rules requiring the employment of skilled workmen to do certain kinds of work, and the rules governing the "subbing" system.

Trade Agreements.—The practice of embodying in written documents—known as agreements—the terms of employment agreed upon by the unions and the employers is of comparatively recent origin in the printing trade. The International Union has advised the making of contracts for definite periods, wherever practicable; and the number of agreements has increased rapidly in recent years. As the union developed more and more fully a national policy, it became desirable to limit the power of the local unions to enter into contracts. In 1902 the International enacted the following rule: "No local union

⁴⁴In all the agreements it has been explicitly provided that the publishers covered by the agreements shall conduct closed shops

shall sign a contract guaranteeing its members to work for any proprietor, firm, or corporation, unless such contract is in accordance with the International law and approved by the International president."⁴⁵ The most important exercise, as yet, of the power thereby conferred on the president was in connection with the introduction of the eight-hour day. In June, 1905, after the International Union had definitely set January 1, 1906, as the date for the introduction of the eight-hour day, the St. Louis local union, one of the most important in the country, obviously believing that the International Union would recede from its position, instructed its officers to sign a nine-hour contract with the St. Louis typothetae for three years.⁴⁶ The president of the International Union immediately suspended the charter of the St. Louis union until it rescinded its contract.⁴⁷

The principle is well established in the trade that an agreement includes only those union trade regulations in effect at the time it was made. A rule enacted after the signing of a contract is, therefore, ineffective so far as that particular publisher or association is concerned until the expiration of the contract. To some extent, therefore, the increasing number of agreements has been a check on the enactment of new local and national trade regulations, since if a new rule is adopted it can apply immediately to only a part of the employers.

The methods of collective bargaining have developed by no means equally in all the local unions. In the smaller cities, where no associations of employers exist, the only advance made over the primitive method of bargaining

⁴⁵ Proceedings, 1902, p. 110.

⁴⁶ Official Circular No. 9 (Sept., 1904) United Typothetae of America.

⁴⁷ Proceedings of the United Typothetae, 1904, pp. 178, 182.

is in the control exercised over the local unions by the International through its organizers. In general, industrial peace has been conserved by these officials; and ill-advised strikes, even in smaller places, are rarer than they once were. In the larger cities, collective bargaining is carried on to a very considerable extent by compact local associations of employers. The development, even here, must, however, be regarded as obviously incomplete. The contention of the International Union that its trade regulations are not subject to bargaining or arbitration excludes from joint determination a very important part of the conditions of employment, since the employers are as directly interested in the "priority law", for example, as they are in the scale of wages.

APPENDICES

APPENDIX I

[Minutes of the New York Typographical Society relating
to the Prosecution of the Journeymen Cord-
wainers of New York.]

Board of Directors, February 24, 1810:

The President presented a memorial from the Society of Journeymen Cordwainers of the City of New York which stated the disagreeable situation in which they were placed in consequence of a lawsuit now pending between them and their employers and their incapacity of carrying on the same without receiving some aid from their fellow tradesmen. The letter being read, it was moved that it be referred to the next general meeting—carried.

General meeting, March 3, 1810: A memorial from the Journeymen Shoemakers, praying for assistance to support an action brought against them by their employers was read. Mr. Andrews moved that the president be empowered to return a polite answer to the Memorialists, the question being called for, it was carried in the affirmative. Some remarks being made as to the legality of the proceedings of the Cordwainers' Society, the Secretary moved that Mr. Andrews' motion be reconsidered, which passed without a division. After hearing the observation of several members as to the manner and mode in which we should dispose of the memorial, the question was then put "shall Mr. Andrews' motion as it originally passed be adopted?" It was lost. Mr. Walker moved that a committee consisting of three be appointed to make a general enquiry into the suits now pending between the Journeymen Cordwainers and their employers and that they report the result of their enquiries to the board of directors on the second Saturday of the present month, after a few observations having been made, the motion was put and carried in the affirmative."

Board of Directors, March 31, 1810:

The Committee appointed to obtain information respecting the suit now pending between the Journeymen Cordwainers and their employers made the following report:

The grounds of the prosecution against the Cordwainers' Society by the Master Shoemakers appears to be in the letter of the law an unlawful combination for the purpose of raising and establishing wages: that is the head and front of the bill of indictment, though it contains several charges of trifling consequence some of which are false and groundless—that relative to apprentices particularly having not the least degree of truth attached to it. The President informed your committee that their cause would be brought on for trial the ensuing week and should judgment be given against them there, the determination is to carry it from court to court into the Court of Errors should judgment be given in each against them. Your committee did not feel themselves authorized by the powers vested in them to offer any arrangement in support of their cause but have left it to the management of the society. After some debate, a motion was made and carried that a committee of one should be appointed to answer the communications from the Cordwainers' Society—expressing the good wishes of this Board for the success of their cause and stating that from the recent exhaustion of our funds in assisting our own members who had stood out for wages, it was totally out of our power (at present) to render them the assistance required.

APPENDIX II

[Letter from the New York Society to the Philadelphia Society during the New York strike of 1809.]

New York, November 13, 1809.

Sir:

I received your letter of the 28th ultimo, acknowledging the receipt of mine of the 18th and 23rd; and thank you for the contents, which were peculiarly pleasing to the members of this society. But we have to regret that the communication of the 18th should have created so much trouble, upon a point evidently of little importance to either society. I must apologize for again troubling you. The Board of Directors, however, concerned for the honour of the members of this association, and in order to counteract the evil tendency of a report that this society had dissolved, and the members returned to their situations at the original prices (which we are told by persons arrived from Philadelphia have been circulated there) have directed me to inform you that they continue to persevere in the way they have begun. Most of the master printers have consented to give the prices, yet we have reason to believe that they only wait a favorable opportunity to destroy the society. Circular letters have been sent throughout this state, Connecticut, and Massachusetts, with a view to supply the daily papers with hands in the first instance, and afterwards the book offices. But we are rejoiced to say that as yet they have been defeated in their dishonorable designs. Several journeymen who arrived last week took the situations of those who had been discharged from one of the daily paper offices; but upon coming to a knowledge of their situation, immediately came forward and joined the society.

We know of no falling off yet, and believing that the

society will eventually succeed in their "laudable Struggle", would thank you to correct any wrong information which may have been received on the subject.

With the highest respect I am,

Your obedient servant,

DAVID H. REINS

Sec'y N. Y. T. Society.

APPENDIX III

[Extract from the Minutes of the New York Typographical Society, October 27, 1824.]

The President read the following letter from the Franklin Typographical Society of Boston. He was directed to answer it in a friendly manner, to inform them that our Constitution forbade entering into their views.

Boston, October 18, 1824.

Gentlemen:

Appointed a Committee by the Franklin Typographical Society, established in this city, to open a communication with our brethren of the same profession in the various parts of the United States, we embrace the present opportunity of stating to you our views. The object that appears to us the most desirable is a more efficient union than at present exists, between individual societies in the different towns. Many persons, respectable members of a society in one place, may become destitute or strangers in another, this would be prevented by a correspondence and union between the various institutions. For this purpose the officers of each society might be authorized to receive strangers and according to circumstances afford relief, such relief to be charged to the Society from which the member shall bear a certificate. On the expulsion or misbehavior of any member, it shall be the duty of the corresponding Committee, under an order from the Government, to notify such delinquent to the various Societys. We have a rule in our Constitution, by which every member, leaving town in a respectable manner, receives a certificate of faithful and present membership and recommendation, without possessing which they cannot be considered as members. A closer union would likewise operate usefully should we, at

a future day be obliged to assert our rights, and prevent an overflow of workmen. We merely mention these hints, hoping you will join in forming some plan by which we may be rendered more useful to each other and form a band of those who have served a regular apprenticeship, with all its expenses and troubles, to the exclusion of interlopers, who, without any legal claim, deprive the honest man of all the benefits to be derived from the most respectable trade in existence. We have forwarded, for your acceptance, a copy of our Constitution; since the list of members was printed a number of persons joined the Society, indeed scarcely a meeting passes without an addition. With many wishes for your prosperity and welfare, the Franklin Typographical Society subscribe themselves.

Gentlemen, Yours in Friendship

By order.

S. W. MORTIMER, Secretary.

To the members of the

New York Typographical Society.

P. S. Any communication addressed to S. W. Mortimer, Post Office, Boston, will be esteemed a favor.

APPENDIX IV

[Counter proposal of the New York Master Printers to the
New York Typographical Society.]

New York, October 26, 1809.

The master printers of the city of New York, having convened on the 25th instant, by public notice, to deliberate upon certain propositions which had been made to them by the journeymen for an increase of wages, unanimously (except in two or three trifling instances) adopted the subsequent resolutions. In presenting them to the consideration of the Typographical Society, they think it proper to remark, that, although no circumstances have come to their knowledge which would justify on the part of the journeymen a demand for more than the customary wages; yet, desirous of meeting them in the spirit of conciliation and harmony, and to remove every obstacle that might have a tendency to interrupt a mutual good understanding, the master printers have made considerable advances on the prices hitherto given, and to as great an extent as the present state of the printing business would admit. The scale which is now offered may, therefore, be considered as a *maximum*, beyond which it would be highly injurious, if not ruinous, to the interests of the trade to venture.

In behalf of the meeting.

J. SWORDS.

J. CROOKES.

G. BRUCE.

Committee.

COMPOSITION

Article 1.—That works done in common matter, on Brevier or larger type, be paid for by ems at 24 cents, on Nonpareil 27 cents, on Pearl 29 cents per 1000, (except such as

hereafter provided for,) and those done in common matter on type larger than English to be counted as English.

Article 2.—That side, bottom, or cut-in-notes, be each of them, whether occurring together or separately, paid for at the rate of 25 cents per sheet; and should they exceed what is considered as moderate, the price shall be struck by the journeymen of the office and the employer. No charge, however, to be made for bottom or cut-in-notes, unless they, in the course of the volume, exceed in folio or quarto one page, octavo or duodecimo one and an half page, and in eighteens or smaller works two pages.

Article 3.—That works done in a different language from the English (though common type) be paid 30 cents for Minion and larger type; and 33 cents for smaller type.

Article 4.—If a quantity of Hebrew, Greek, or other dead characters, should be intermixed in a work, so as to be troublesome to the compositor, there shall be an additional charge according to the trouble. Works done in Hebrew shall be paid double; and in Greek shall be charged $12\frac{1}{2}$ cents per 1000 higher than common matter; but if with separate accents $18\frac{3}{4}$ cents. The asper not to be considered an accent.

Article 5.—That making up a set of furniture for a work of five sheets or under, if an octavo, be paid 25 cents. All other impositions to be paid three cents extra, progressively, in proportion to the size.

Article 6.—That works done partly in figures and partly plain, such as arithmetical works, etc. be paid in proportion to the trouble; and that rule and figure work be paid double.

Article 7.—That broadsides, such as leases, deeds, etc. done on English or smaller type, be paid 30 cents per 1000 ems. Playbills, posting-bills, etc. to be paid for as may be agreed upon between the journeymen and employer.

Article 8.—That head and direction lines (the blank after the running title included) be calculated in the text; and that where there shall be a blank at the foot of the page, the same shall be calculated in the text.

Article 9.—Scabbarded works, (when the scabbards are not thinner than four to an em of the text) shall be charged two cents less than the solid matter. No more than one em shall be charged for blanks at the beginning and end of lines.

Article 10.—That algebraical works, or those where characters of music are the principal part, and works containing physical, astronomical, or other signs, be paid for at a medium to be agreed upon by the journeymen and the employer.

Article 11.—That time lost by alteration from copy, or by casing or distributing letter, be paid for at the rate of 12½ cents per hour.

Article 12.—Journeymen employed on a daily paper by the piece shall receive 25 cents per 1000 ems.

Article 13.—Journeymen employed in book-offices, or on evening daily papers, shall receive seven dollars for their weekly services; and those on morning daily papers eight dollars. Eleven hours to be considered a day in a book or evening paper office.

PRESS-WORK

Article 1.—That book-work done on brevier or larger type, on medium or smaller paper, be paid 29 cents per token; on smaller type 31¼ cents. Royal paper, on brevier or larger type, 31¼ cents per token; on smaller type 34 cents. Super-royal paper, on brevier or large type, 34 cents per token; on smaller type 37½ cents.

Article 2.—That jobs, folios, quarto, etc. be paid 30 cents per token.

Article 3.—That cards, if 50 or under, be paid 18 cents; any additional pack or packs, at 10 cents per pack.

Article 4.—That broadsides on foolscap be paid 30 cents per token; on medium 33 cents; on larger paper 40 cents.

Article 5.—That three cents per token be paid on works containing wood engravings.

Article 6.—That 26 cents be paid for putting a parch-

ment or linen tympan on a press at which the person who put it on is not employed; but nothing shall be charged when it is done by a pressman who works at the press.

Article 7.—If at any time it shall be requisite to take down a press, or any part thereof, an allowance of $12\frac{1}{2}$ cents per hour shall be made to each pressman employed at it, during the time they shall be prevented from proceeding in their regular work.

Article 8.—If a pressman be obliged to lift his form before it is finished he shall be allowed $12\frac{1}{2}$ cents for the same.

Article 9.—That no journeyman working at press on a morning daily paper shall receive a less sum than eight dollars for his weekly services; nor those on an evening paper a less sum than seven dollars. If the quantity of work should exceed eight tokens per day, to be charged if a morning paper at 34 cents, if an evening paper at $31\frac{1}{4}$ cents per token.

APPENDIX V
SCALE OF PRICES
Established by the
NEW YORK TYPOGRAPHICAL SOCIETY
October 28, 1809

COMPOSITION

Works done in common matter, on Minion or larger type, 25 cents; Nonpareil, 27 cents; Pearl, 30 cents per 1000 ems. Above English to be counted as English.

Side, bottom, or cut-in-notes, be each of them, whether occurring together or separately, paid for at the rate of 25 cents per sheet; and should they exceed what is considered as moderate, the price shall be struck by the journeymen of the office and the employer. No charge, however, to be made for bottom or cut-in-notes, unless, in the course of the volume, they exceed in folio or quarto one page, octavo or duodecimo one and an half page, and in eighteen or smaller works two pages.

Works done in a different language from the English, (though common type) be paid 31 cents for minion and larger type; and 34 cents for smaller type.

If a quantity of Hebrew, Greek, or other dead characters, should be intermixed, so as to be troublesome to the compositor, there shall be an additional charge according to the trouble. Works done in Hebrew, without points, shall be paid double; and in Greek, without separate accents, shall be paid 15 cents per 1000 higher than common matter. The asper not to be considered an accent.

That making up a set of furniture, for a work of five sheets or under, if an octavo, be paid 25 cents. All other impositions to be paid three cents extra, progressively, in proportion to the size.

Works done partly in figures and partly plain, such as arithmetical works, etc. to be paid in proportion to the trouble. Rule and figure work to be paid double.

Broadsides, such as leases, deeds, etc. done on English, or smaller type, be paid 30 cents per 1000 ems. Play-bills, posting bills, etc. to be paid for as may be agreed upon between the journeyman and employer.

Head and direction lines, (the blank after the running title included,) be calculated in the text; and where there shall be a blank line at the foot of the page, the same shall also be calculated in the text.

Algebraical works, or those where characters of music are the principal part, and works containing physical, astronomical or other signs, be paid for as may be agreed upon by the journeymen and the employer.

Time lost by alteration from copy, or by casing or distributing letter, be paid for at the rate of 15 cents per hour.

On a daily paper, by the piece, to receive not less than 30 cents per 1000 ems.

In book or evening daily paper offices, to receive not less than eight dollars per week. On morning daily papers nine dollars.

PRESS-WORK

Book-work, done on Minion or larger type, on Medium or smaller paper, 30 cents per token; on smaller type, 33 cents. Royal paper, on Minion or larger type, 33 cents per token; on smaller type, 36 cents. Super-royal paper, on Minion or larger type, 36 cents per token; on smaller type, 39 cents.

Jobs, folio, quarto, etc. be paid 30 cents per token.

Cards, if 100 or under, be paid 30 cents; each additional pack 12½ cents.

Broadsides to be paid for at a rate to be fixed upon by the employer and journeyman.

Three cents per token extra to be paid on forms containing wood engravings.

If at any time it shall be requisite to take down a press, or any part thereof, an allowance of 15 cents per hour shall be made to the pressmen during the time they shall be prevented from proceeding in their regular work.

If pressmen be obliged to lift their form before it is finished, they shall be allowed 30 cents for the same.

No journeyman working at press on a morning daily paper, shall receive a less sum than nine dollars for his weekly services; nor those on an evening paper a less sum than eight dollars. If the quantity of work should exceed eight tokens per day, to be charged, if a morning paper, at the rate of $37\frac{1}{2}$ cents per token; if an evening paper, $33\frac{1}{3}$ cents per token.

I. HOIT, *Secretary*.

D. H. REINS, *President*.

November, 1811.

APPENDIX VI

REPORT OF THE COMMITTEE ON THE SUBJECT OF: APPRENTICES TO THE PRINTING BUSINESS

Columbia Typographical Society,
Washington, February 7, 1835.

At a stated Meeting of the Society held this evening, the committee appointed on the 1st of November last, on the subject of Apprentices, made the following report:

REPORT

The Committee appointed on the subject of Apprentices, report:

That immediately after their appointment they entered on the duties required of them by the Society, by opening a Correspondence with the Employing Printers of the District, copies of the letters constituting which are herewith annexed. [This Correspondence being too voluminous for insertion here, is for the present deferred.]

In opening this Correspondence, the Committee hoped to obtain as well the opinions of the Employers on the subject, as the results of their experience and practical knowledge. It was plain to your Committee that, without the coöperation of the Employers, any plan for the adjustment of the number of Apprentices to the business would lack both efficiency and permanency; and would be also liable to objections on account of the compulsive measures requisite to enforce its observance—measures which it is desirable at all times to avoid against those whose true interests are indissolubly interwoven with our own.

The Committee are happy to say that their expectations with regard to the fruits of this Correspondence have been

realized. Not only do all the letters agree in the opinion expressed by the Committee that the present unrestricted mode of taking Apprentices is the fruitful source of growing evil, and requires a remedy, but the Committee are happy to say that one of the letters contains a plan for the regulation of this subject, which, with some modifications, they now present for the action of the Society.

This plan will be found in the letter of Mr. Force, one of the Employers, who is also an honorary member of the Columbia Typographical Society. The Committee unhesitatingly recommend it to the Society, after a patient examination of the whole subject, as by far the best which they could select calculated to effect the object in view. A mode directly limiting the *number* of Apprentices in our Printing Offices was thought to be, on examination,—so liable to injustice and abuse between the larger and smaller offices—so difficult in its maintenance, on account of anticipated objections on the part of the Employers—so embarrassing in its adjustment, on account of the constant fluctuations of the business—that the Committee unanimously determined to abandon it.

The Committee do not deem it necessary here to enter into an argument to show the necessity for some definitive rules on the subject of Apprentices to the Printing Business. What all admit to be true, it is unnecessary to add argument to support. The Employers as well as the Journeymen are melancholy witnesses of the fact, that, with an imperfect knowledge of the business, boys are now daily entering on the duties and taking upon themselves the obligations of Journeymen; that while the mechanical improvements of the age are gradually thinning the ranks of the Employed, the number of boys is increasing in our Printing Offices far beyond the corresponding wants of the business; that entering therein, as many of them do, with but the rudiments of education, their minds imbued not with the elements of social virtue, they bid fair to prostrate the intelligence, the character, and the consequent future usefulness of the profes-

sion; and the Committee therefore believe, that, with these facts before them, it is only necessary to present a plan combining just principles with a fair prospect of its efficiency, to ensure for it the undivided support of the Employers and the Journeymen.

In order further to advance the objects of the Society in this respect the Committee recommend the adoption of the following resolutions:

Resolved, That the annexed Regulations respecting Apprentices be recommended for their adoption to the Employers of this District.

Resolved, That a committee of nine members be appointed to wait upon the Employers for that purpose; whose duty it shall also be to receive any modifications of the Plan proposed, suggested by the Employers, and report the same with their other proceedings to the Society.

REGULATIONS RESPECTING APPRENTICES

Agreed upon between the Employing Printers of the District of Columbia, at the suggestion of the members composing the Columbia Typographical Society.

Art. 1. No boy shall be taken in the Printing offices of the District of Columbia except as an Apprentice.

Art. 2. Every Apprentice shall serve until he is twenty-one years of age; and at the time of entering as such, shall not be more than 15 years of age.

Art. 3. Every boy taken as an Apprentice shall be bound to his Employer in due form of law.

Art. 4. A premium or fee of fifty dollars shall be paid by every apprentice, his guardian or parent, to his master, at the time of entering as an apprentice, except where a boy has not arrived at the age of fourteen years; and then no fee shall be demanded.

Art. 5. No runaway apprentice shall be received into any printing office in the District of Columbia, either as an Apprentice or Journeyman: *Provided*, however, that, if, on the death of his master, or other cause, an apprentice is

compelled to leave the office in which he has entered as such, he may be taken in any other office, with the consent of the Employer thereof, without the payment of an additional fee.

Art. 6. The above regulations to go into effect from and after the.....day of.....

Art. 7. From and after the.....day of..... the Employing Printers agree to engage the services of no Journeymen who shall not produce written evidence that he has faithfully served as an apprentice the period of his minority according to the regulations laid down for the government of Apprentices in the city or place in which he may have served his time.

The report and plan, together with the Correspondence accompanying it, were then read.

The question being on the adoption of the resolutions reported by the Committee—

On motion, it was

Resolved, That the proceedings of this meeting, so far as they relate to the subject of Apprentices, be printed for the use of the members of the Society, under the direction of the Committee on the Subject of Apprentices.

After which, the Society adjourned to meet on Saturday next, the 14th inst.

Extract from the minutes:

JOHN STOCKWELL, *President*.

J. F. HALIDAY, *Secretary*.

The members of the Society will perceive that this whole subject now lies on the table; and in all probability, will come up for consideration on Saturday evening next. The great importance of the subject, and the consequent necessity for mature deliberation upon it, doubtless induced the Society to postpone a final action thereon until every member of the Society had been put in possession of its propositions. The members will also perceive that, although the plan has been first brought before the Society for its con-

sideration, its action thereon does not determine the subject, but, should it adopt it, simply places the Plan before the Employers as the recommendation of the Columbia Typographical Society.

WILLIAM WALTERS,
WILLIAM W. CURRAN,
JUDAH DELANO,
MATTHEW WILSON,
E. B. ROBINSON,
Committee.

APPENDIX VII
NUMBER AND MEMBERSHIP OF LOCAL UNIONS OF THE
INTERNATIONAL TYPOGRAPHICAL UNION
1853-1908¹

Year	Total No. of Unions	Total No. of Members	No. of Local Unions of Allied Trades	No. of Members of Local Unions of Allied Trades
1853	12	2,112		
1854	9	1,512		
1855	11	2,039		
1856	9	666		
1857	16	1,306		
1858	20	2,181		
1859	23	2,362		
1860	34	3,492		
1861				
1862	20	1,585		
1863	23	1,875		
1864	36	2,577		
1865	38	2,477		
1866	62	4,013		
1867	72	5,224		
1868	77	6,095		
1869	79	7,563		
1870	90	7,657		
1871	98	8,725		
1872	100	8,724		
1873	105	9,797		
1874	106	9,819	2	63
1875	102	9,245	3	109
1876	98	8,624	2	91
1877	74	6,900	3	118
1878	69	4,260	3	111

1879	60	5,968	3	108
1880	76	6,520	6	250
1881	91	7,931	6	205
1882	95	10,439	7	308
1883	135	12,273	9	546
1884	161	16,030	12	613
1885	152	16,183	14	607
1886	191	18,484	22	1,418
1887	189	19,190	27	1,608
1888	213	17,491	30	1,108
1889	235	21,120	25	757
1890	204	22,608	18	545
1891	309	25,165	(2)	(2)
1892	313	28,187	(2)	(2)
1893	333	30,454	(2)	(2)
1894	354	31,379	(2)	(2)
1895		29,295	(2)	(2)
1896	315	28,838	(2)	(2)
1897		28,096	(2)	(2)
1898	346	28,614	(2)	(2)
1899	376	30,646	77	2,973
1900	411	32,105	91	3,541
1901	465	34,948	98	3,548
1902	559	38,364	45	1,745
1903	699	42,436	62	1,705
1904	692	46,165	41	1,330
1905	690	46,734	36	1,299
1906	642	44,980	26	1,174
1907	573	42,357	20	1,071
1908	618	43,740	21	1,159

¹ The number of unions and the membership are given as reported to the officers of the International Union by the local unions. The statistics are far from accurate for any particular year until about 1884, since the local unions frequently failed to report and many which did report systematically understated their membership in order to avoid the payment of dues.

² For the period 1891-1898, inclusive, the statistics for the local unions of allied trades cannot be separately ascertained.

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LIFE INSURANCE REFORM
IN NEW YORK

BY

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PREFACE

It is fortunate that the combined effect of legislation and of internal reforms in New York life insurance companies has been to correct most of the evils which all candid observers agree existed a few years ago, so that the criticisms necessarily directed toward certain companies in the introduction to this monograph are no longer applicable.

The former looseness of administration of many companies was responsible for certain popular criticisms which very few merited. On the other hand, underwriting interests and influential insurance journals have betrayed a somewhat hasty impatience with the reform legislation of 1906. Both the critics of insurance institutions and the critics of insurance legislation have found the public attentive to their arguments. Few writers on the subject, however, have been wholly detached from both sides of the controversy. Those connected with companies were suspected of partisanship, though there were radical differences of opinion among them. The insurance journals were suspected, not in all cases fairly, of regarding the prejudices of their advertisers and subscribers more than the interests of policyholders. Public servants who had been concerned with supervision, with investigation, or with legislative reforms of insurance companies, were assumed to entertain a partiality for their own policies. Now, however, more than four years of active discussion, and nearly three years of experience with radically new laws have furnished material for a study of the benefits and the inconveniences of the new regulations, from a disinterested point of view. To pre-

serve this point of view, I have resisted every temptation to consult those actively interested in any capacity in insurance matters. For helpful criticisms of my work, however, I am under obligations to Professor F. W. Taussig of Harvard University, to my colleague in the University of Wisconsin, Professor W. A. Scott, and to my wife.

Madison, Wisconsin.

WM. H. PRICE.

December, 1909.

EXPLANATORY NOTE

This paper necessarily assumes an understanding of the technical terms commonly used in insurance. Those not familiar with the subject will do well to bear in mind the following:

A life insurance company furnishes to its patrons, for a consideration known as a *premium*, a guarantee that their estates or beneficiaries shall be indemnified for specified sums of money, in the event of their deaths within a given time. A reliable mortality table enables the company to ascertain mathematically the cost of a risk at each year of age. The premiums exacted would therefore ascend year by year on account of the increased rate of mortality at the higher ages. Such *yearly renewable* policies are little employed, it being found undesirable and inconvenient to have the rate rise till it becomes ultimately prohibitive, causing the lapsing of the policy. The costs at each age to the limit of the table are therefore separately ascertained, each being discounted to the present value. The sum is the *net single premium*. This is divided by a *life annuity*, or series of *pure endowments* (sums payable by the policyholder upon surviving to each successive age), in order to arrive at a *level premium* or uniform rate, to be paid annually. This rate is thus adjusted on the one hand to the yearly probabilities of having to pay the claim, and on the other hand to the yearly probabilities that the policyholder will survive to pay the premiums. To the net level premium is added a *loading* for expenses, and possibly for contingencies. The net level premium, as increased by the loading, becomes the *gross level premium*, or the actual amount periodically paid by the policyholder to maintain the insurance. The company *values* its liabilities for future claims by subtracting the *present value of future premiums* from the *present value of future claims*. This difference is called the *reserve*. *Net valuation*, which is most common, consists of taking the pres-

ent value of future *net* premiums only from the present value of future claims. The larger reserve which this gives is justified upon the assumption that future loadings are needed for future expenses. After paying current expenses and death claims, and laying aside the proper amount for reserve, the remaining funds in hand constitute the *surplus*, a small part of which is retained from year to year, and the remainder is returned to the policyholders in the form of *dividends*.

LIFE INSURANCE REFORM IN
NEW YORK

INTRODUCTION

New York has long been the state most prominently identified with aggressive life insurance methods, yet only recently has it displayed more than a transient solicitude regarding the proper management of life insurance companies.¹ Its insurance department, older than any except that of Massachusetts, had never gained the reputation of being a vigilant critic or a staunch champion of honesty and equity in company management. The office of insurance superintendent has been political, often in the worst sense of the word;² the traditional attitude of the department toward companies has been a timid one; and an inadequate clerical staff has hitherto encouraged superintendents to content themselves with ascertaining the solvency of companies, rather than to probe into, and expose, errors of judgment or even intentional wrongdoing on the part of those in control of companies.³ This situation has been particularly unfortunate, since

¹In 1877 there was a legislative investigation of New York companies, but the zeal for reform faded away before anything could be done to correct the abuses that were exposed.

²No less than four incumbents averted removal,—for dishonesty, misconduct, or unfitness,—only by the aid of shrewd political manoeuvring. For the instances, see *The Chronicle* (an insurance weekly), February 14, 1907.

³Consult Testimony, exhibits, report, and index of the joint committee of the Senate and Assembly of the state of New York to investigate and examine into the business and affairs of Life Insurance Companies doing business in the state of New York, 1906. Seven volume edition, vol. 7, pp. 261-273.

This report bears the binder's title, Legislative Insurance Investigating Committee, 1905, and is commonly referred to as the Armstrong Report. There is another edition in ten volumes, but the citations in the following pages refer to the seven-volume edition.

the New York department is the official sponsor for a group of companies transacting nearly one-half of the life underwriting of the country, and including the four largest life companies in the world.⁴

The magnitude of the companies, and the laxity of the supervision to which they were subjected, explain in large measure why New York was recently the city of sensational insurance revelations. But more fundamental than either, as a cause of notoriety, has been the temper of the business men who have dominated the companies. New York has been proverbially a speculative city, and her life insurance companies find it difficult—they have in the past found it almost impossible—to avoid falling into the hands of the speculators. There are, indeed, all degrees of recklessness among speculators, and only a few life insurance companies have passed into the control of men whom Wall Street itself regards as gamblers. But the domination of insurance companies by speculating financiers has been the accepted order of the day in New York City. Speculation doubtless has its uses in most lines of business; but its connection with life insurance is almost invariably wholly harmful.

To confirm these remarks it is only necessary to compare the net costs (premiums less dividends) on participating⁵ policies in the more prominent companies.⁶

⁴The New York Life, the Mutual Life, the Equitable, and the Metropolitan.

⁵The majority of policies are participating, but some companies issue non-participating policies, which call for smaller premiums but which do not share in surplus distributions.

⁶In these tables care has been exercised to avoid comparisons which would be unfair by reason of differing reserve bases. Prior to 1896, however, all the companies included in these tables were on a 4 per cent basis except the Connecticut Mutual. Hence the annual costs of policies originating before 1896 may be fairly compared. Since 1897 there has been some uncertainty whether to adopt the exacting 3 per cent standard or to compromise at 3½ per cent.

TABLE I

PREMIUM LESS DIVIDEND, OR NET COST FOR 1906 OF AN
ORDINARY LIFE POLICY ISSUED IN 1886 AT AGE 35.⁷

Union Central	\$16.87
Provident Life and Trust.....	17.88
John Hancock	18.05
Northwestern Mutual	18.46
Connecticut Mutual ⁸	18.63
Mutual Benefit	19.15
<i>New York Life</i> ⁹	19.35
Massachusetts Mutual	19.65
Penn Mutual	20.17
Aetna	20.27
Equitable	20.61
Mutual	21.26
Home	21.98
Germania	22.92
Manhattan	23.87

TABLE II

TWENTY YEAR ENDOWMENT POLICY, AGE 25, ISSUED 1893,
NET COST, 1906.⁷

Connecticut Mutual ⁸	\$36.67
John Hancock	37.45
Aetna	37.52
Union Central	37.73
Provident Life and Trust.....	38.27
<i>New York Life</i>	38.64
Mutual Benefit	39.04
Northwestern Mutual	39.44
Massachusetts Mutual	40.61
<i>Germania</i>	40.70
Penn Mutual	41.12
<i>Home</i>	41.28
Equitable	41.79
Mutual	42.40
Manhattan	44.17

Recently, however, the Massachusetts companies, and the Mutual Life, the Aetna, and Penn Mutual, which for a while employed a 3½ per cent interest assumption, have adopted a 3 per cent basis, leaving, of the companies included in these tables, only the Provident Life and the Union Central still on a 3½ per cent basis.

⁷ Compiled from data reported in the New York Life Insurance Report, 1907.

⁸ On 3 per cent reserve basis.

⁹ Italics indicate New York companies.

TABLE III

TWENTY-PAYMENT LIFE, AGE 45, ISSUE OF 1890, NET COST, 1906.¹⁰

Union Central	\$31.36
Provident Life and Trust.....	33.90
Connecticut Mutual ¹¹	33.91
Mutual Benefit	34.28
Northwestern Mutual	34.46
Ætna	35.00
Massachusetts Mutual	36.13
<i>New York Life</i>	36.33
Penn Mutual	36.81
<i>Equitable</i>	37.08
<i>Mutual</i>	38.08
<i>Home</i>	38.49
<i>Germania</i>	39.09
<i>Manhattan</i>	41.16

DIVIDENDS 1906 ON PAID-UP TWENTY-PAYMENT LIFE POLICIES, AGE 45, ISSUE OF 1885.¹⁰

Union Central	\$15.09
Provident Life and Trust.....	10.64
Mutual Benefit	5.92
Ætna	3.95
Massachusetts Mutual	3.30
<i>New York Life</i>	3.30
Penn Mutual	5.55
<i>Mutual</i> .....	.66
<i>Manhattan</i>	3.03

To remove any unwarranted prejudice against the New York companies, it should be said that, while none of them stood in the front rank as dividend payers in 1905, there has perhaps never been a time when the prospects of good dividends have been more nearly equal among the different companies than at present. All of the companies standing highest in the above tables, have recently lost presidents who had long contributed much to their success. Some companies with low dividends have also changed their chiefs, or have become non-participating.

¹⁰ Massachusetts Life Insurance Report, 1907, p. lxvii.

¹¹ Three per cent reserve.

Finally, the recent legislation will have a tendency to produce uniformity of results, or rather will reduce the variations by establishing a standard of economy. For particular illustration, it may be noted that all three of the great New York companies have lately reorganized, and that they have introduced both voluntary and required reforms and economies which have already exercised a very favorable influence upon dividends.

The object of the comparisons is not to exhibit the merit or the demerit of any particular company. Other illustrations would in each case slightly alter the order of companies on the basis of net costs. No companies can make equally good showings on all policies, all ages, and all durations. The object of the tables is to show that in 1905 the New York companies, with a single and doubtful exception, were furnishing protection at a considerably higher price to policyholders than were the representative companies of other states.¹² Incidentally the tables indicate why certain companies have been losing business since 1905. Frequent attempts have been made to explain these losses by reference to the supposed injurious effects of legislation.¹³ In amount of insurance in force, New York companies have, indeed, lost both relatively and absolutely since 1905; only the Germania and the Home show slight gains. But the combined loss of the three large companies under the present reform law has been less than in the single year preceding its

¹² The showing of New York companies in the above tables would not have been improved by the inclusion of the Washington Life and the United States Life, which were furnishing practically non-participating insurance at participating rates; of the Provident Savings, which, however, had few participating policies; and of those companies which until recently were assessment societies. The latter have proved expensive as well as unsound.

¹³ See, for instance, the preliminary remarks of Superintendent Kelsey in the New York Life Insurance Report, 1908.

enforcement. The same would have been true of the smaller New York companies had it not been for the suspension of the Provident Savings. It seems clear, therefore, that the New York companies have fallen behind, not because of the laws, but because they have recently fallen in the esteem of purchasers of life insurance.

The revelations of 1905-6 adequately explain the high cost of insurance in certain New York companies. It was in June, 1905, that the Frick investigating committee, by its report on the administration of the Equitable, directed public attention to the mismanagement and improprieties in the conduct of life insurance companies, which had long been suspected by those intimately acquainted with such affairs. Many New York companies were soon under suspicion of irregularities and extravagance, and the outcome of popular agitation was the appointment of a special legislative committee headed by Senator Armstrong. This committee appointed Charles E. Hughes, who has since become governor of the state, as its counsel, and Miles M. Dawson as its actuary. The report of the Armstrong Committee contains the evidence of the most thorough investigation of life insurance companies that has ever been undertaken. It showed that the New York City companies had all been guilty of extravagant outlays in the wild rush for new business, though some small companies had a plausible excuse in the strenuous competition that they had been obliged to meet; that the business which had been purchased with such high rates of commission was miserably non-persistent, the lapse rate being very high; that rebating, and consequent discrimination, was rampant; that the cost of new business, owing to exorbitant commissions, was far in excess of the provision for expense contained in the initial premium, and that, accordingly, such large sums were being

appropriated out of the surplus accumulated by the old policyholders as to leave no hope of their adequate reimbursement through the accession of new and healthy risks; that, in addition to the diminution of dividends resulting from costly and unremunerative expenditure for new business, dividends were still further reduced in all but one or two of the New York city offices in various ways,—by unwarrantably high salaries for useful and useless officers, by the sacrifice of good rates of return on investments for the sake of aiding trust companies and other financial institutions and projects in which the officers and directors of the life insurance companies were interested, and by extraordinarily heavy outlays for dubious legal and political purposes. The questionable financial transactions were concealed by vague and false entries, defective annual reports, perjury, and rare and improper examinations by the state insurance department.

To correct these evils, the Armstrong committee proposed an extensive revision of the life insurance code of New York. Most of the suggested amendments were passed by the legislature at Albany, with occasional modifications, in April, 1906. In the following pages, for purposes of convenience, the amendments will be discussed in accordance with the following classification:

I. Those respecting the fiduciary relations of the companies, including:

1. The directors.
2. Publicity.
3. Investments.

II. Those relating to underwriting practices, including:

4. Policies.
5. Valuation.
6. Limitation of expenses.
7. Limitation of new business.
8. Contingency reserve (surplus).
9. Dividends.

I

LEGISLATION RESPECTING FIDUCIARY RELATIONS OF THE COMPANIES

I. DIRECTORS

Election of Directors. In the provisions for the election of directors or trustees in mutual companies incorporated in the state of New York, the committee and the legislature took a position that was far in advance of the attitude of even the best companies operating in the country. The conservative companies have been quite as reluctant as the aggressive to grant real and effective control to policyholders. This has not by any means indicated a distrust of the policyholders, much less any selfish interest on the part of the directors of the conservative companies. But they have clung to the ideal of a close corporation, because they saw no system of control which they deemed sounder or safer or more truly representative. It must be admitted that this position is not easily overthrown. No one, for instance, has been ready to conduct a vigorous campaign to transfer our mutual savings banks to the direct electoral control of all their depositors. In this case, a benevolent paternalism is still accepted as the most satisfactory arrangement. The insurance companies' managers have maintained that it is most satisfactory for their own institutions also. It is true that the average of intelligence and of business judgment is higher among life insurance policyholders than among savings bank depositors. On the other hand, it requires far more instruction to gain an intelligent idea of insurance problems than of savings at interest. While,

therefore, it may be admitted that policyholders might judge candidates better than depositors, it is not as certain that they would be any more discriminating as to measures.

It is needless to say that some insurance managers have not been disinterested in their reluctance to grant an effective control to policyholders. The greatest obstacle to a representative policyholder's control, however, is not the incompetence but the indifference of the rank and file who have no personal ambitions. For this reason, there has been until recently no serious proposal to do away with the close corporation in life insurance. The experiment in this respect introduced by the Armstrong legislation resulted from manifest abuses which were discovered to have their roots in the lack of responsibility which certain close corporations felt. It should be said that the system, though in fact that of a close corporation, was not exactly so in form. Nominally the directors in mutual companies are elected by the policyholders. But where proxy voting is permitted, and the agents who place the policies collect the proxies and turn them over to the officers, and where the right to vote in person is but rarely exercised, the directors constitute in reality a self-perpetuating body. Only a few instances can be recorded of the election of directors other than the ones those in control have selected. As in all paternal systems, this plan works well as long as the guardians continue efficient and faithful to their trust. The list of companies which have always been creditably conducted in this fashion is not a short one. Unfortunately, neither is the list of companies short that have suffered at the hands of their trustees or directors. Among the latter were several New York companies whose experiences were more than ordinarily unhappy. Not that the purely mutual concerns have

on the whole suffered more than those which have had stockholders; the past experience of the Equitable society and the more recent troubles of the Provident Savings show possibilities of selfish mismanagement which the mutuals could hardly duplicate. Indeed, the small capital that can profitably be employed in a life insurance company, and the large assets that are involved, render a stock insurance company a peculiarly tempting prey to unscrupulous financiers.¹ A mutual company, on the other hand, has always the protection of the real although rarely exercised power of the agents, whose personal intimacy with the policyholders enables them to collect proxies swiftly. The difficulty, however, is that agents are roused to action only when financial manipulation is so serious as to lead to scandal, and so to the unpopularity of the company. The recent New York mismanagements were little criticised by the agents until the abuses were exposed, for the managers, equally with the agents, were directly interested in producing a large volume of business, and encouraged their agents with most extravagant commissions.

Seeking to remedy the proxy system, which had proved unsuited to the best interests of the policyholders, the reformers turned to Australia for a solution. There the Australian Mutual Provident, the largest life insurance company in the British Empire, with a remarkable record for good management and low cost of insurance, has long elected its directors by mail ballot without proxies. Mr. Dawson, the actuary of the Armstrong committee, for many years advocated a similar plan² for our own companies. The committee followed his suggestion, but

¹Zartman, *Jour. Pol. Econ.*, vol. 15, pp. 532-3 (Nov., 1907), "Control of Life Insurance Companies."

²In his "Principles of Insurance Legislation," 1895, pp. 65-66, and subsequently in *The Chronicle*, which is the organ of his views.

adopted a modification proposed by its chairman, Senator Armstrong, by which policyholders could vote in person, by mail, or by temporary proxy. Those in control of the companies were to draw up a list of candidates for the directorate who were to constitute the "administration ticket". Upon the same ballot was to be printed any other ticket, put up by one hundred or more policyholders. To facilitate the campaign of independent candidates it was required that, five months prior to the election, lists of policyholders classified by states, should be filed with the insurance superintendent and at the home office and general agencies of each company, open to the inspection of policyholders.³

The general interest created by the recent scandals and the keen rivalry of the backers of the administration and opposing tickets led to a remarkably heavy vote in New York's two mutual companies. In the New York Life the candidate on the administration ticket receiving the largest number of votes had 236,999, while the highest number of votes cast for an opposition nominee was 100,782. In the Mutual the highest number of votes received by an administration candidate was 189,132 as against 68,176 cast for the most popular opposition candidate. In the latter company the certificate of election was filed on April 19, 1907, while in the former the certificate was filed on June 27, 1907.⁴

To remedy some of the imperfections of the voting law, revealed by the first trial, an amendment, passed June, 1907, provided for voting by numbered official ballots only; that administration nominations should be made seven months before election, and independent

³ Laws of New York, 1906, Chap. 123, Chap. 326, section 30 (section 94 of the insurance code), and Chap. 354.

⁴ Minnesota Life Insurance Report, 1907, pp. 315, 316, 387.

nomination five months before; that nominees must have accepted; that all ballots should be sent to the home office, the superintendent to have supervision over the custody and canvas of the votes; and that officers, agents, and employees were not to solicit votes during business hours. Any one hundred nominators are entitled to procure at their own cost a list of policyholders in their own company.⁵ Arrangement was also made for biennial instead of annual elections and for temporary filling of vacancies.⁶

The most serious fault in the election provisions is the authorization of proxy voting. This is the means by which "the careless and indifferent policyholders dominate the situation."⁷ The retention of proxy voting does, to be sure, serve to make the law more palatable to the managements of the companies, and this is its greatest merit, but it goes far to defeat the object of the law, since policyholders could with difficulty overcome the power which proxy voting gives to the administration in elections.

Aside from the retention of proxy voting, the most serious fault of the law is the method adopted to enable opposition candidates, or committees acting for them, to communicate with policyholders. The companies, with very good reason, protest against the necessity of exposing lists of their policyholders to the examination of the agents of their rivals, who may use the names as a basis for "twisting",⁸ and for writing new insurance,

⁵ Laws of New York, 1907, Chap. 623, amending section 94 of the insurance code.

⁶ *Chronicle*, June 6, 1907; *Insurance World*, June 11, 1907; *Insurance Monitor*, June, 1907; Laws of New York, 1907, Chap. 625.

⁷ Zartman, *op. cit.*, p. 540.

⁸ Twisting, or switching, consists of persuading a policyholder to drop a policy in one company for the sake of taking a policy in another company.

and of speculators who wish to deceive policyholders.⁹ It has been proposed as a remedy that the lists be not made public, but that the company be required to mail, at the expense of the opposition, any literature the latter may wish to send out, or that the superintendent of insurance be given this function.¹⁰

The officers of the companies object upon general principle to the necessity of frequent contests to maintain their control through directors favorable to them. The force of the objection lies mainly in the great expense of this method of election of directors. The counting of the ballots in the first contests was a tedious process, covering four months in one case, and six in the other, at a cost to each company of more than \$200,000.¹¹ By prudent provision the vote might have been canvassed at far less cost, and few elections in the future will be as difficult to canvas. In this instance there was a delay of about a month before the counting began, caused by a controversy that the subsequent amendment has prevented for the future. Moreover the sweeping victory of both administration tickets will serve to discourage any expensive contest as long as the integrity and efficiency of those in power are unassailable. When directors lay themselves open to criticism it may be to the advantage of policyholders to defray heavy expenses to secure new directors.

Mutualization. The effort to mutualize the Equitable

⁹ Thus, for instance, the Mutual issued a warning that speculators in life insurance policies were attempting to purchase deferred dividend policies from those whose names were published in the lists required by the new law, offering more than the surrender value, expecting to pay premiums and get the dividends at the expiration of the dividend period. *Insurance World*, April 23, 1907.

¹⁰ Zartman, *op. cit.*, p. 539.

¹¹ Connecticut Life Insurance Report, 1907, pp. 249, 315; 1908, pp. 268, 340, 341.

revealed the serious inadequacy of the existing law in New York so far as it related to the retirement of capital stock. Accordingly in the new law a procedure was authorized to accomplish this process. It provided for the following requisite steps: (1) a majority vote of the directors; (2) a majority vote of the capital stock; (3) the approval of the superintendent; (4) a majority vote of the policyholders.¹² While the method is apparently cumbersome, it would appear that no simpler process would satisfy all the equities of the case.

Pecuniary interest of managers. Section 36 of the insurance code forbade officers and directors receiving "compensation for negotiating loans." The Armstrong bill extended this to prohibit officers and directors from receiving "money or other valuable thing for negotiating or aiding in any purchase or sale [on behalf of the company]—[or to] be pecuniarily interested either as principal, co-principal, agent, or beneficiary in any such purchase, sale, or loan."¹³ This amendment was one of the least opposed and most needed of the reforms undertaken in the 1906 legislation. The large sums which of late years have been paid for shares of stock in life insurance companies have constituted convincing proof of the enormous personal advantage which might come from the control of the assets of such companies. Great financiers have long sought places on the boards of such companies, with the object of employing large trust funds in great speculative or banking projects. Conversely, promoters of business enterprises have gladly given places on their own boards to insurance directors on account of the large free funds at the disposal of the latter. In forbidding directors to invest insurance funds in under-

¹² Section 95 of the insurance code.

¹³ Laws of New York, 1906, Chap. 326, amending section 36 of the insurance code.

takings in which they were interested, the law struck at one of the most prolific sources of abuse.¹⁴

The evidence gathered by the investigators¹⁵ showed that the pecuniary interest of officers and directors in the three large companies had been served chiefly by the deposit of large cash balances by the insurance companies at very low rates of interest in trust companies and banks in which the officers and directors were interested; by the purchase of debentures of such trust companies; by the purchase and sale of securities through such institutions, or through transactions directly with the directors; by the direct and indirect participation of the companies in syndicate operations in which they and their banks were interested; by loaning insurance money to trust companies for syndicate operations; and by investing in stocks and bonds of industrial enterprises launched by the officers.¹⁶

¹⁴On this point the Armstrong committee urged: "It is not believed that the companies will be deprived of suitable advice and direction by the prohibition of dealings with officers and directors, or with firms of which they may be members. The business of the company should be transacted under the direct supervision of the trustees, and no opportunity should be afforded for a conflict between their personal interest and their official duty. It is entirely indefensible to permit one to act as the trustee of an insurance corporation in a transaction in which he may benefit, apart from his interest in the corporation, by the exercise of his discretion. The size and important financial relations of the great companies have blinded many to elementary principles of administration; and, whatever the immediate result of the proposed changes in their loss or gain, it is essential to their maintenance upon a sound basis that they should be freed from the alliance and practices which the testimony before your committee has disclosed." *Armstrong Report*, vol. 7, pp. 296-7.

¹⁵See especially *Armstrong Report*, vol. 7, *in re* Mutual, pp. 26-32; *in re* New York Life, pp. 56-66; *in re* Equitable, pp. 92-110.

¹⁶The investments in stocks and collateral trust bonds and the underwriting participations which served the private interest of administrators of the companies will be discussed again, under the head of Investments.

As to the effect of the legislation against the pecuniary interest of trustees, little need be said. It is not easy to enforce such requirements rigidly. Directors are useful in proportion to the financial experience which they have. Men of financial experience are rarely so free from financial interests that the bank balances and investments of their company cannot in some degree affect their private interests. An examiner for the superintendent of insurance called attention to the fact that one of the best New York companies was still continuing to purchase its mortgages, upon recommendation of a certain member of its finance committee, from a company in which he was interested.¹⁷ In such ways as these the pecuniary interest of directors continues. For the present at least, the fear of again arousing popular ill-will will suffice to prevent the worst cases of mingling of private profits with trustee affairs. But in the future, when the public has withdrawn its attention, the law will undoubtedly exercise a strong deferring influence.

Salaries. Section 98, which was added to the insurance code,¹⁸ requiring a formal vote of the directors to authorize any salary of \$5000 or over, was another provision aimed against the exploitation of companies by their administrators. It might reasonably have been supposed that no prudent board of directors would have allowed such large sums as this to be regularly disbursed without satisfying itself of the propriety of the expenditure, but, in fact, extravagant salaries had been paid to friends and relatives of the officials, in many instances for very trivial services. It is not necessary to dwell upon the most sensational instances of excess in this respect. Some very conservative companies have fallen into this

¹⁷ New York Insurance Report, 1907, Part 5, p. 273.

¹⁸ By Laws of New York, 1906, Chap. 326.

grave error of giving high and unwarranted salaries to relatives and friends. Liberal salaries and nepotism have in fact been avoided in but few companies, even among the most economically managed.

In the large New York companies, the failure of directors to direct has had much to do with extravagant salaries. In the Mutual, for instance, the board of trustees did not concern itself with the management. It acted only through standing committees. Even the committees delegated their supervision to sub-committees, or officers. A sub-committee of the finance committee determined the salaries of the executive officers, and thus the gradual increases from \$30,000 in 1885 to \$150,000 in 1901 in the president's salary appears to have been known only to two other men.¹⁹ In the New York Life, the salaries of executive officers were fixed by the finance committee. The president's salary of \$50,000 in 1895 had risen to double that amount in 1901. In 1893 the salaries paid to executive officers amounted to \$149,000; in 1905 this sum had risen to \$322,000. The Armstrong committee remarks in this connection: "The scheme of supervision through committees of the board of trustees has left in practice a wide field for the arbitrary exercise of executive power. The executive officers have been permitted to disburse enormous sums of money without proper accounting."²⁰ Under a similar devolution of authority, the finance committee of the Equitable fixed the salaries of the executive officers. Henry B. Hyde, the founder of the company, was receiving a salary of \$100,000 as president at the time of his death, in 1889. His successor, James W. Alexander, received the same sum beginning with 1903, and James H. Hyde, son of the founder, received an equal amount as vice-president.

¹⁹ Armstrong Report, vol. 7, pp. 11-12.

²⁰ *Ibid.*, p. 41.

The Frick committee observed that in this company those officials who were rapidly advanced generally took care that their subordinates were also advanced. Hence "the total office pay roll of the society increased from \$770,282 in 1900 to \$1,177,509 in 1904, or 54 per cent. As compared with this the total income of the society increased but 36 per cent from 1900 to 1904."²¹

2. PUBLICITY

Political and legislative expenses. Political contributions seem to have been mostly confined to the three large New York companies.²² Two small contributions were also made by the Metropolitan in 1896 and trivial ones by a considerable number of others in New York in the same year.²³ The preservation of the gold standard in 1896 furnished the companies with a motive which they regarded as a peculiarly strong one; but apparently, having begun the practice, it was not easy to refuse again, and in subsequent campaigns the tendency was rather to increase than to decrease the amount. The contribution to state campaign funds, through Senator Platt, indicated

²¹ Frick Report, *Life Ins. Courant*, July 6, 1905; quoted also in Armstrong Report, vol. 7, p. 84.

²² The Mutual contributed \$40,000 to the Republican National Campaign Committee in 1904, \$35,000 in 1900, \$15,000 in 1896; also \$2500 to the Republican Congressional Committee in 1905; and \$10,000 occasionally to the Republican State Committee. The New York Life contributed nearly \$50,000 in 1904 to the Republican National Committee, and probably equal amounts in 1896 and in 1900. The Equitable contributed \$50,000 to the same committee in 1904, and had been contributing \$10,000 for many years to the Republican State Committee. The Metropolitan gave \$1000 in 1896 to aid the Gold Democrats, and \$7500 to help the Republicans. See Armstrong Report, vol. 7, pp. 21, 51-2, 86, 225.

²³ A considerable number of companies of other states also contributed to the sound money campaign of 1896, and the Prudential gave \$6000 in 1896, \$10,000 in 1900, and \$10,000 in 1904 to the Republicans. *Ibid.*, p. 253.

that hostile legislation was expected to be prevented by the political retainers of the companies. Senator Platt in fact acknowledged that he so understood the gifts. It is difficult to say whether such gifts were more demoralizing to the political party accepting them or to the companies giving them. The wasteful extravagance was a lesser evil than either. Political contributions by corporations are now prohibited by law.²⁴

Contributions to campaign committees, however, were but a small part of the outlays for legislative purposes. While the New York life insurance companies have observed Wall Street's strict regard for contract obligations, they have not been above Wall Street's easy morals with regard to expenditures that are not a matter of contract. They have characteristically sought their ends by the easiest means in sight, and have been carelessly shortsighted in doing so. They have not scrupled to contribute to the funds of a party tacitly pledged, for the time being, to take care of their interests. They have done worse than this. They have maintained enormous corruption funds. The three large companies divided the country between them, and looked after legislative matters, each in its own territory. While public opposition was resorted to, corruption was regarded as more effective. Disbursements for such purposes could not be accounted for in detail, and, being necessarily entrusted to unscrupulous agents, large sums were undoubtedly misappropriated. The Armstrong committee could obtain no satisfactory information either as to the sums disbursed for this purpose, or as to how they were applied. Indeed, no one knew. No sufficient cause has been shown why legislation should be secretly opposed by life insurance companies. There will continue to be adequate reason for

²⁴ Laws of N. Y., 1906, Chap. 239.

moderate expenditures to secure or defeat legislation. Without interfering with the company's judgment in this matter, the law simply requires it to make public what sums are spent in influencing legislation, and how they are spent.²⁵

Examinations. Further publicity is provided for in the laws relating to examinations and reports. True publicity the life insurance companies, especially those of New York, have never known. "Freedom and publicity" has been the familiar expression of the average insurance man's attitude toward government regulation, yet few have realized what true publicity means. Now that they are beginning to understand it, many of them are coming to regard it as inquisitorial, and hardly preferable to direct interference. At all events the publicity of the past has been too often disappointing because not thorough. For this state of affairs the law was in part responsible, being inadequate. But much of the fault lay with the insurance department, which either did not conscientiously perform its duties, or else weakly construed them in the narrowest possible way.

Less is now left to the discretion of the superintendent. Hereafter the department must examine companies at least once in three years. The irregularities in some of the companies would have been checked, and in all might have been, by frequent and conscientious examinations. The law, however, can do little to make the examinations conscientious. Full authority already existed; no extension of the law could make more ample the examiners' powers.²⁶ Only one detail, therefore, was modified in consequence of a discovery that an employee of the de-

²⁵ Laws of N. Y., 1906, Chap. 321.

²⁶ "Most of the evils which have been disclosed by the investigation would have been impossible had there been a vigorous performance of the duties already laid upon the department, a vigilant watchful-

partment was retained by one of the companies. This was accordingly forbidden.²⁷

Annual Reports. The following particulars were required to be added to the annual statement:²⁸ Facts as to real estate holdings, loans upon real property, loans upon collateral, and all other property owned; facts as to commissions on investments and all legal expenses; all expenses in connection with legislation; names of officers and directors, candidates and votes; salaries of officers and directors, and all compensations over \$5000; largest balances in banks and trust companies during each month; facts as to resisted and compromised claims; profits and losses by sources, new business taken separately; rates of annual dividends, all plans, all durations, ages 25, 35, 45, 55, and precise method of calculation; rates upon deferred dividends with methods; rates of accumulation of deferred dividend surplus, all plans, all durations, four ages; and reserve and surplus held for any purpose.

3. INVESTMENTS

Real Estate. An amendment requires real property acquired for business accommodation, but no longer needed for that purpose, to be sold within five years, just as real property acquired by foreclosures or in satisfaction of debts must be so sold. Testimony convinced the committee that upon pretext of accommodating business, excessive amounts of real estate had been acquired, which yielded a low return on the investment. To do away with a similar evasion, it was recommended that the power of the supreme court "to authorize purchases by ness in the interest of policyholders, and a courageous exercise of the powers which the statute confers." *Armstrong Report*, vol. 7, p. 273.

²⁷ Laws of N. Y., 1906, Chap. 326, amending section 2 of the insurance code.

²⁸ By section 103 added to the insurance code.

corporations of real property in lieu of similar property disposed of, should be rendered inapplicable to insurance corporations," and enacted accordingly.²⁹ A further provision forbids acquisition of real property without the approval of the superintendent.

Real Estate Mortgages. While additional restrictions were placed upon real estate holdings, the law was made more liberal in other directions. The provisions of the law relating to real estate mortgages had limited the opportunities for profitable investment at a most unfortunate point. Mortgages upon improved farm lands of the middle West have proved the most profitable of all insurance company investments. Practically shut off from these, the New York companies had confined their mortgage investments to city properties. The removal of restrictions³⁰ is much to the advantage of such companies as desire profitable investments earnestly enough to be willing to take pains in looking after them.

Public Securities. The same limitations which had been imposed in the case of mortgages were also imposed in the case of local public securities. By the recent amendment insurance corporations are now authorized to invest their funds in bonds of cities, towns, villages, school districts, and municipalities of other states.³¹

Underwriting Participations. Some companies had openly undertaken the functions of bankers for business corporations. "Purchases have been made, not for investment but for resale, and the large companies have freely furnished their support to numerous financial ventures through participation in the underwritings of syndicates. Most syndicates are merely partnerships formed

²⁹ Laws of N. Y., 1906, Chap. 228; Chap. 326, sec. 20 of insurance code as revised.

³⁰ By new section 100, of the insurance code.

³¹ Section 100.

for a single transaction.”³² The necessity for such a partnership arises when an unusually large volume of securities is floated. The banking house to which they are offered first invites a number of other bankers to underwrite the transaction,—that is, to agree to take a part of the securities at a fixed price if called upon to do so. It does not appear from the New York investigation that the insurance companies were generally made partners in hazardous ventures. On the contrary, with a few exceptions, the underwritings of the insurance companies were reasonably, sometimes extraordinarily, profitable. But favors were not given for nothing, and the insurance companies were expected to purchase securities in which the same syndicate managers were interested. And, too often, officers and directors got profits that should have gone to their companies. It is not well established whether or not such transactions would be, on the whole, relatively profitable if properly safeguarded. That question was rightly regarded by the Armstrong committee as a secondary consideration. The inappropriateness of an insurance company becoming a speculative banker and engaging in the projects of the financial world, and the weakened sense of trusteeship on the part of the managers, were the grounds upon which such operations were condemned. Quite apart from any statistical evidence, it is not conceivable that these things could go on indefinitely without injury to the insured. Accordingly the committee secured a prohibition of “all syndicate participations, transactions for purchase and sale on joint account, and the making of any agreement providing that the company shall withhold from sale for any time or subject to the discretion of others, any securities which it may own or acquire.”³³

³² Armstrong Report, vol. 7, p. 292.

³³ *Ibid.*, p. 296.

Stocks and Collateral Trust Bonds. Until 1906 the companies of New York were permitted to invest in corporation shares. They have thus owned large holdings of stock in banks and trust companies, in railroads, and in some other enterprises. Dividends upon such stocks were often profitable in appearance only. In the case of banks and trust companies the profits were in part the result of large inactive accounts carried to the credit of the insurance companies. While some stocks have yielded a good return, the average rate has not been high enough to compensate for the risk, even supposing such securities to be a proper investment for trust funds. It was argued on behalf of such investments that some of them are practically as safe as bonds, and that to prohibit their purchase would remove a profitable channel of investment. It was further urged that a restriction would limit the field of investment and give to other securities an artificial scarcity. On this last point it may be remarked that only the large companies had measurably affected the bond market, and of these the New York Life had already practically withdrawn from the market for shares in order to conform to Prussian law. Of the others, only the Mutual seemed to maintain any pronounced desire to continue in this field. There is no doubt that the legislators were strongly influenced by their belief that, quite apart from the interests of insurance, it was unwise and unsafe to permit insurance corporations to engage in banking and transportation. Whether or not financial concentration is a thing to be feared, stock ownership has occasionally involved insurance companies in incongruous and even improper business affiliations.³⁴ The Armstrong amendments, there-

³⁴ The recent votes given by the Mutual in the contest of Harriman and Fish for the control of the Illinois Central illustrate the fact that the control of life insurance companies may be sought for the sake

fore, prohibited life insurance corporations doing business in the state from investing in company stocks or collateral trust bonds on and after June 1906, and required that all holdings of such shares or bonds should be gradually disposed of within five years from the end of 1906.

of indirect control over other corporations, not uncommonly disadvantageous both to the insurance companies and to the other corporations as well.

II

LEGISLATION RELATING TO UNDERWRITING PRACTICES

4. POLICIES

Participating and Non-Participating Policies. Section 102 of the code, as amended, prohibits mutual companies from issuing any policies not participating in surplus. The Armstrong committee believed that "the business of companies conducted upon the mutual plan should be exclusively mutual." They argued that the writing of non-participating policies by mutual companies, and by stock companies chartered to transact business upon the mutual plan, "must almost necessarily result in an injustice." Their reasoning was that if premiums on non-participating policies were too low, the loss must be borne by the participating policyholders; while if they were too high, the non-participating policyholders would be overcharged.

As far as the interests of the non-participating policyholders are concerned, it does not appear that there was any occasion for solicitude. They have fared quite as well in companies which also have participating policyholders as they have in exclusively non-participating companies. In fact, the chief reason why strictly non-participating companies have not, in this country, prospered in the past is that the mutual companies have offered non-participating insurance at cost, or below cost.¹ Hence

¹ As shown in the introduction of this paper, the New York Life stands about half way down in the list of prominent companies arranged in the order of net costs of participating policies. Its non-participating policies issued before 1905 are said to have been "in

no company has for any considerable time sold non-participating insurance solely. Such policies have been offered chiefly by companies which as their chief business sold other kinds of insurance,—either participating life insurance, or so-called “industrial” policies, or accident policies. Competition drove the premiums on non-participating insurance to such a low point that no company justified this business except as an aid or incident to its other activities. Recently, however, there has been a general levelling up of these rates. This movement, together with the dropping of the business by some companies, has encouraged a few others to undertake the non-participating business exclusively. A factor in this separation has been the legislation in New York which prohibits New York companies from combining the two branches.

From the point of view of the participating policyholder, there is a stronger reason against the combination of the two branches. Under competitive conditions it is unlikely that the rates charged for non-participating insurance should be very far from actual cost. The estimate, however, covers many years and cannot be exact. Whether the approximation is too high or too low, such speculation is inappropriate for the funds of mutual policyholders. In answer to this objection it is possible to point out that even though there may be an apparent loss upon non-participating policies, yet after the first year or two the excess of the gross premium over the net is sufficient to make up for any inadequacy of the net premium, and still contribute a small sum to help defray general expenses which must go on in any case. This, many instances” better bargains for the insured. See Report of Examiners Wolfe and Graham to the Five Insurance Commissioners investigating the New York Life in 1905, Wisconsin Life Insurance Report, 1906, pp. 1235-6.

however, introduces a discrimination which is particularly undesirable in a mutual company.

Whatever objections lie against non-participating insurance, lie equally against annuities, which in current practice are also non-participating, though there is no reason why they need be. Annuities are, indeed, apparently sold at a loss by most insurance companies, and while much of the apparent loss is due to a valuation system which does not exhibit the true facts with respect to annuities, it is still usually the case that some real loss is sustained. But as the amount of this business is small, and the loss usually trivial, there has been no disposition to interfere with it, particularly as it is conducted by most companies rather as a matter of accommodation than anything else.

Many who hold that non-participating business should not be conducted by purely mutual companies, see no impropriety in its being transacted by stock companies which do a mutual business, provided the participating and non-participating business is kept separate in the books of the company,² and the profit or loss on non-participating policies is carried to the capitalists rather than to the participating policyholders. Some companies have in fact maintained distinct departments. The difficulty with this arrangement is the practical impossibility of accurately and equitably apportioning the expenses to the two departments.

It was the original intention to make the compulsory separation apply equally to all companies, foreign as well as domestic, doing business within the state. But to permit certain foreign companies which had an extensive business in both branches to continue in the state without

² On this subject see testimony relating to the *Ætna Life's* departments in Hearings on the *Armstrong Bills*, vol. ii, p. 280.

dropping either department, this feature of the law was made to apply only to home companies. Superintendent Kelsey joined in the general condemnation of the section which thus discriminated against the New York companies. This discrimination he held to be one of the main reasons for the notable relative decline in business of the New York companies. Although there seems to be the best of reasons, as pointed out in the introduction of this paper, for doubting whether any part of the legislation has been a chief cause, there can be no doubt that the legislature ought to take such action as will unequivocally remove the discrimination.

Standard Policies. The Armstrong committee insisted upon the need of simple, clear, and concise language "to remedy the abuses which have grown up in the multiplication of forms designed to attract custom, either by catchy titles or by supposed liberality of provisions."³ A good illustration of such abuses was published in 1906 by the Massachusetts commissioner, who cited the case of one company, licensed to transact business in that state, which had over 200 forms of policies.—"Most of them are complicated and unusual and were designed not to meet a demand but to create one for certain 'frills' which the persuasive agent sets before the public as the best thing yet in life insurance."⁴

The policy contracts of the several companies are substantially similar in the more important particulars, and, while some of the variations in minor details have a reasonable justification, most of the differences simply mislead and confuse the average purchaser. There is the further objection to an unrestrained freedom in the drawing of policy contracts, that it presents the opportunity to unscrupulous managers to introduce clauses of an

³ Armstrong Report, vol. 7, pp. 331-2.

⁴ Massachusetts Life Insurance Report, 1906.

illiberal or otherwise objectionable character, since the policyholder is rarely given to a close and intelligent scrutiny of his contract. To remove confusion and to prevent deception, standard policies were proposed and adopted.⁵ It seems to have been generally admitted that the forms, which were understood to have been the work of Mr. Dawson and Mr. Hughes, were well drawn. In these forms were incorporated the liberal features of the most progressive companies. The language was simple and direct, and free as possible from needlessly technical phrases, yet due care was taken to employ phraseology which had received judicial interpretation.

In framing this section, precautions were taken to guard against too rigid regulation. Standard forms of policies were established for the common contracts,—ordinary life, limited payment life, endowment insurance, and term policies. Companies were authorized to issue policies covering other sorts of insurance, subject to the approval of the superintendent. Provision was made, however, for the standardization of these other forms, and the superintendent was directed to give a hearing to all companies interested, before standardizing any form. Provision was also made that the form might be changed by the superintendent whenever desirable. However, when this section of the law went into effect, January 1st, 1907, it proved to be more inelastic than had been anticipated, and although the law was promptly amended, the greater part of a year was lost before the companies affected could resume writing some common forms.⁶ Moreover, this provision was held by the attorney-general and the insurance department to apply only to domestic com-

⁵ Laws of New York, 1906, Chap. 326, section 101 of the insurance code.

⁶ See *Chronicle*, Dec. 27, 1906, Jan. 10, Aug. 15, and Sept. 5, 1907; and New York Life Insurance Report, 1908.

panies and with regard to their domestic business. Foreign companies might issue any policy in New York State, as elsewhere, and New York companies might issue any policies, not inconsistent with their standard policies, in other states. This was a discrimination much complained of, and was a reasonable cause for grievance. The New York companies, however, showed little disposition to issue, outside of New York, policy forms differing from the standard, except to conform with particular state laws. Some issued policies only slightly varying in form⁷ from the New York forms, and, in a few instances, forms not permitted in New York.⁸

In view of the grave objections that were originally urged against standard policies, it is interesting to note the prompt endorsements which they received in significant quarters. The New York Life, for instance, in a bulletin to its agents, pointed out that the standard policy would help to prevent "twisting" of policies to other companies, would put a ban upon rebating, would attract steady agents rather than "high-flyers", would give to policyholders more publicity and accordingly more confidence, would insure better supervision, better investments, freedom from blackmail, and greater responsibility of managers.⁹ Similarly, a publication of the Equitable reminded its agents that the standard forms had not proved to be a source of embarrassment, nor prevented the company from meeting the needs of policyholders, while they had the very great advantage, in competition with non-standard forms, that they had been

⁷ *E. g.*, The New York Life. See *Insurance Monitor*, January, 1908.

⁸ Thus the Home Life issued outside New York its return premium policy, which it claims is its most popular form, more than three-fourths of its policies issued in the last ten years having been of this sort. N. Y. Insurance Report, 1907, pt. 5, p. 272.

⁹ *Insurance World*, January 29, 1907. See also *ibid.*, April 23, 1907.

approved by public authority after most careful investigation.¹⁰ It would not be fair to regard these expressions, intended for the encouragement of agents, as voluntary endorsements of the principle of standard policies, but at least they show that the innovation was so carefully provided for that companies were able to accept it cheerfully.

Objection to standard forms has not been based upon the contention that any very material differences existed between the policies issued by different companies for exactly the same contract. Companies, to be sure, have differed in their liberality to retiring policyholders and in some other ways; but the measure of liberality was still left to the discretion of the company by leaving blanks to be filled in. (The principal New York companies have recently adopted uniform surrender values, but this they did voluntarily).¹¹ What the companies objected to was the necessity of giving up unusual contracts. A rigid uniformity is opposed in principle to a flexible system naturally lending itself to the exact needs of the policyholder and company. With this in mind, the Massachusetts committee, appointed by Governor Guild to report on the recodification of the insurance laws, recommended against standard forms, and in favor of continuing the practice of requiring standard provisions,¹² and the Committee of Fifteen, representing a conference of governors and insurance commissioners, likewise recommended, instead of the New York standard forms, that thirteen provisions be required embracing in point of fact the most important parts of the New York standard forms.¹³ The Wisconsin investigating

¹⁰ See Alexander, "How to sell Equitable Policies," pp. 99-103.

¹¹ *Chronicle*, January 10, 1907.

¹² *Ibid.*, June 21, 1906.

¹³ *Ibid.*, December 27, 1906.

committee procured the passage of a similar enactment, requiring certain provisions and prohibiting others. Such adjustments as these will obviate the evil of improper clauses if companies are compelled to secure departmental permission before introducing new provisions, and they have the very practical advantage of permitting companies to avoid providing special blanks for every state legislating on the subject,—a form of relief which to say the least is extremely desirable.

After more than two years of experience with standard forms, New York has at last yielded to the arguments for greater elasticity and has repealed the standard policy requirement and substituted standard provisions, which must be employed by all companies operating in the state.¹⁴ Every policy issued or delivered in the state must be approved by the superintendent. It must constitute the entire contract and provide for grace of thirty days in payment of premiums at not more than 6 per cent interest; for incontestability after two years; for adjustment in case of misstatement of age; for annual dividends, if participating; for loans within the policy's value; and for reinstatement, subject to the usual restrictions. It must show also tables of loan values, available options, and instalment and annuity values, if any.

5. VALUATION

It has long been a boast that no "full legal reserve" company could become insolvent. An experience of over thirty years confirms this contention. Its mathematical demonstration was so convincing that for a long time it was not generally understood that the practical reason was even more important than the theoretical. The practical reason was that the original legal standard of sol-

¹⁴ Laws of New York, 1909, Chap. 301, section 101 of the insurance code.

vency, when combined with the conventional method of charging premiums, has been too strict a standard. Consequently, companies always had sufficient assets, for the simple reason that the law compelled them to keep too much.

To avoid misunderstanding, it should be explained that the fault was not with the standard, but with the method which the companies chose to retain in the construction of their premiums. The legal standard strictly conformed to the assumptions of the companies. In accordance with those assumptions, the standard was neither more nor less than adequate. It simply held the companies to the liability which they professed. The trouble has been that it was thought most scientific and most practical to maintain a level gross premium by adding a level loading to the level net premium. But this involved a difficulty. Initial commissions and other expenses of new business are so heavy that the expense provision is inadequate, and consequently no policyholder pays his own way the first year. In old companies the deficit is made up from the surplus accumulated by old policyholders, and thus the full reserve is provided. New companies had no such easy way of escaping an encroachment upon the reserve, for they had no surplus from which to borrow. To be sure, by selling stock above par, a small surplus may be secured; but as life insurance companies do not normally afford large profits to stockholders, it is impossible to provide much in this way. Consequently, most companies which strictly conformed to the full legal reserve, from the outset, have met with disaster. The system of net valuation, while correct, wrought injury because it conformed too strictly to an incorrect system of calculating premiums. The simplest way to conform to the law without risk of insolvency would have been

to impose a loading upon the first net premium, sufficiently large to defray the initial expenses, and in subsequent years to load only for renewal expenses. Such a departure might have invited rebating. Not this danger, however, but mere inertia was doubtless the chief influence which maintained the strictly level gross premium.

The injury of the too strict valuation was felt in both old and new companies. In old companies, where necessity compelled dipping into the surplus, it was easy to fall into the habit of dipping too deeply, as there was no check upon the expenditures for new business as long as the surplus held out. In new companies there was a constant temptation to evade the law, and numerous plans were devised, sometimes with the approval of commissions, until finally various less rigid standards came to be recognized, leaving open the same temptation to extravagance. Not every encroachment upon surplus, not even every encroachment upon reserves, was injurious to policyholders. But the temptation to dip too deeply was always present, and there was no recognized criterion or measure of expense. The New York laws had to deal both with extravagance at the expense of surplus, and with extravagance at the expense of reserves. They undertook to reform the abuse of extravagance, and the danger of insolvency, by setting up a standard of solvency which recognized the facts rather than the false assumptions of the business and which was, therefore, at the same time, a reasonable measure of the cost of new business. So great had been the practical objections to the conservative standard that Massachusetts and the District of Columbia are the only jurisdictions which have admitted of no general modification of the rule. Every state, moreover, including Massachusetts, had recognized assessment societies which in many instances

were only evasions of the net level reserve requirements. Even Massachusetts, while refusing to value according to the terms of the contract, when the contract provided for "preliminary term",¹⁵ had been obliged to admit one or two exceptions to the strict rule. A concession was granted to industrial insurance companies, accepting the report of three-tenths of the reserve the first year, and seven-tenths the second year; and the Dewey law enabled certain assessment companies to transfer to "old line" methods by giving them permission to report preliminary term, instead of full, reserves for a few years.¹⁶

It will thus be seen that there was great need of a standard which should be adequate and reasonable on the one hand, and which should, on the other hand, admit of convenient accommodation to a somewhat irrational, but firmly entrenched, system of premium computation. In considering the possibility of safely permitting any relaxation of the strict rule as to valuation, it is necessary first to inquire whether such a strict valuation provides more reserve than is necessary, and if so, on what account. The circumstance that justifies reserving at any time a less amount than the full net premium less the current cost of the insurance, is the fact that the premiums are in this country calculated from an ultimate mortality table,¹⁷ whereas it is at least five, and probably more nearly ten, years before freshly selected lives attain the rate of mortality indicated by the ultimate table. It is easily understood by the public that the rate of mortality is less among insured lives than in the average population. This favorable rate of mortality is secured by medical selection.

¹⁵ "Preliminary term" is explained below, p. 40.

¹⁶ See Armstrong Report, vol. 5, pp. 4255-6.

¹⁷ An ultimate experience table is one which is constructed from data relating to insured lives, but excluding from observation the early years of assurance.

Those below a certain standard of health and vitality, or with a bad family history, are rejected by the medical examiners, and their elimination results in an improved vitality for insured lives, as compared with uninsured, *i. e.*, unselected, lives. In like manner, as actuaries have long known, there exists a difference between the vitality of those recently selected, and that of those among whom the benefits of fresh medical selection have "worn off". A level premium policy is periodically renewable at the option of the policyholder alone, who is not subject to any medical reëxamination after his entry. He may develop or contract a disease which makes him a bad risk for the company, and though this may prevent him from securing new insurance it does not prevent him from continuing his existing contract. For this reason, the mortality in the first year of insurance is not more than 50 per cent of the so-called "ultimate" mortality, or that indicated by an experience table from which all freshly insured risks are excluded. This advantage in vitality diminishes gradually rather than abruptly. It usually requires several years to undermine a constitution which has passed a searching medical examination. The only diversity of opinion among actuaries on this question has been as to the degree of difference.

According to investigations made by Rufus W. Weeks¹⁸ of twenty-eight classes of risks, from data provided by the leading companies, the mortality in the early policy years as compared with the American (ultimate) experience is as follows:

First year of insurance.....	47.6%
Second " "	62.5%
Third " "	67.3%
Fourth " "	71.3%
Fifth " "	75.2%

¹⁸ Armstrong Report, vol. 7, p. 313.

These figures indicate such a surprising difference as between old and new entrants that it has not been deemed prudent to rely upon them. It has therefore been generally agreed to modify them arbitrarily to the following percentages:

First year	50%
Second year	65%
Third year	75%
Fourth year	85%
Fifth year	95%
Sixth year	100%

For the latter figures, however, there is no warrant except extreme caution. That the data used by Mr. Weeks furnish a safe and reliable basis for computing the losses on new entrants is confirmed by the British tables of 1892, and by the experience of the Mutual Benefit of Newark, N. J. Below will be found in parallel columns the mortality salvages by the conservative percentages, by those of Mr. Weeks, those of the Mutual Benefit, and finally those derived by comparing the British ordinary life, male, select table with the corresponding ultimate table:

Year	I Conser- vative	II Week's	III ¹⁰ Mutual Benefit	IV ¹⁰ British o (m)	V Nearest multi- ples of 5 to the lowest figures in last 3 columns
First .....	.50	.524	.56	.54	.50
Second .....	.35	.375	.44	.38	.35
Third .....	.25	.327	.35	.31	.30
Fourth .....	.15	.287	.29	.24	.25
Fifth .....	.05	.248	.25	.19	.20
Sixth .....	.00	....	.26	.15	.15
Seventh .....	...	....	.21	.11	.10
Eighth .....	...	....	.20	.08	...
Ninth .....	...	....	.18	.05	...
Tenth .....	...	....	.22	.027	...
Eleventh & over ...	...	....	.035	.000	...

¹⁰ For columns III and IV, see *Chronicle*, April 9, 1908, p. 262.

It will thus be seen that for the first year 50 per cent, and for the second year 35 per cent are assumptions as to salvage not too conservative in view of all three experience tables. The remaining figures in the first column, however, err on the side of too strict conservatism. They might easily fall from 35 per cent by decrements of five instead of ten and yet be very close to all the figures derived from actual data. Hence it does no violence to the ascertained facts to assume that new entrants will exhibit a mortality of :

50% of the ultimate the first year.			
65%	"	"	" second "
70%	"	"	" third "
75%	"	"	" fourth "
80%	"	"	" fifth "
85%	"	"	" sixth "
90%	"	"	" seventh "
95%	"	"	" eighth "

It appears therefore that, according to both American and British experience, the benefits of fresh medical selection persist for at least eight years. In fact a slight advantage is observable for the ninth and tenth years, and it is agreed that theoretically the effects of initial selection never entirely wear off.²⁰ While they continue to the end of the table, the experience after the eighth year is not substantially divergent from that of an ultimate table.

Recognizing that the full net level premium reserve is larger than is needed to assure solvency, since net premiums in the early policy years are redundant when calculated by an ultimate table; and, on the other hand, that no old company can pay the initial expense of new policies without withholding surplus belonging to old policyholders, the New York law has undertaken to re-

²⁰ *Transactions Actuarial Society of America*, October, 1907. pp. 325-6.

duce the required reserve by a conservative estimate of the amount of the redundancy, setting free from the net premiums of the early years a contribution to initial expenses supplementing the loadings.

Section 84 establishes the legal minimum standard of solvency in accordance with the "select and ultimate" method, assuming 50 per cent of the ultimate the first year, 65 per cent the second, 75 per cent the third, 85 per cent the fourth, and 95 per cent the fifth. This is perhaps the most fundamental measure in the new legislation. Upon it depend the provisions regulating the amounts that may be expended in procuring and handling business, the amount of surplus a company may carry, and hence the amount which it must distribute in dividends. It also displaces all preliminary term valuations, these being prohibited in section 69 on the ground that preliminary term contracts result in discrimination. A preliminary term contract is one in which a level or unchanging premium is paid regularly, but in which during a "preliminary term", ordinarily a year, the whole premium is used for expenses except the current mortality cost, and in which, during the same term, nothing is reserved toward making good the ultimate deficiency of the level premium in meeting the mortality cost in the advanced ages of the insured. The preliminary term contract treats the first year's premium as a term insurance, though charging for it much more than would be charged for regular term insurance. Hence the ground for the charge of discrimination. The device has been employed to avoid the net level premium reserve requirement.

While an apparent discrimination in principle, preliminary term, when not carried too far, does not result in substantially different values than are derived by the

select and ultimate method. For instance, when the first premium on an ordinary life policy is treated as purchasing term insurance only, an allowance is gained for initial expenses which fairly corresponds to what actually would be taken, whatever the method of valuation. The abuse of the system comes when the full initial premium is expended in the case of limited payment and endowment policies. Full preliminary term, therefore, is unconservative, and leads to extravagance. "Modified preliminary term", however, which sets free no more for expenses on limited payment and endowment policies than on ordinary life policies, gives reserves closely corresponding to select and ultimate values.²¹

Inasmuch as the select and ultimate method adopted in New York is only a *minimum* standard of solvency, it has not directly affected the important companies, which still voluntarily retain the conventional, stricter standard. Its indirect effect is more important since the minimum standard has been taken as a measure of expenses and of surplus, which will be dealt with below.

Although New York's standard has not been adopted elsewhere, its influence extends beyond the state, since many companies have been prevented from adhering to the low standards in the states of their domicile, fearing that a wide departure from the New York standard would bring them into disrepute, as well as exclude them from the most populous state.

6. LIMITATION OF EXPENSES

The original plans of the Armstrong committee included proposals for limitations as follows:

1. Limitation of total expenses.

²¹ See Dawson, "Comparative Reserve Tables," 1905, pp. 6 and 45.

2. Limitation of first year expenses.
3. Limitation of loading on all policies to that upon ordinary life policies.
4. Limitation of initial commissions to 40 per cent, with prohibition of renewal commissions.
5. Limitation of the amount of insurance on a single life.
6. Limitation of amount of new business.
7. Limitation of contingency reserve, or surplus.

The third proposal was embodied in the bills urged by the committee, but was so strongly opposed at the hearings²² upon the proposed measures, in March, 1906, that it was not pressed for passage. The committee was also dissuaded from recommending the fourth and fifth proposals.²³ The last two will be discussed in the following chapters. The first two, which remain for consideration at this point, were covered by section 97.

The general purpose of the section is to confine expenses of new business within the sum provided for expenses by loading on first year premiums, plus the present value of mortality gains of the first five years of insurance, as assumed in the select and ultimate valuation, defined in section 84 and considered in the preceding chapter. The prohibition extends not only to the company but to the company's general agents.²⁴ "Expenses of new business" are, for the purposes of this act only, confined to commissions on initial premiums, other compensation for procuring new business, medical examinations and inspections of risks, and advances to agents. Companies are also forbidden to expend on total business, except for investment expenses and taxes on

²² Reported in *Journal of Insurance Economics*, April, 1906.

²³ *Chronicle*, May 3, June 28, 1906.

²⁴ There was some doubt of this at first, but it was authoritatively decided that the agents were also held to the same limitations.

real estate, more than the total loadings and the assumed mortality gains. Bonuses, prizes, extra commissions, and all compensation based upon volume of business written were also prohibited. Renewal commissions were limited to $7\frac{1}{2}$ per cent for nine years (5 per cent in the case of short term endowment policies). Advances to agents upon the security of renewal commissions were also forbidden. This section does not apply to weekly premium business, and the limitation upon the cost of total business does not apply to stock companies issuing non-participating insurance only.²⁵

Conformity with the provisions of this section required a virtual revolution in the underwriting practices of many companies, and no company was entirely undisturbed by it. The regulation of expenses was rightly interpreted by the companies as an unprecedented interference in their internal affairs, and it went into such detail that even companies which had conformed with the general principles of these limitations were obliged to readjust their methods in some particulars. All but a few companies doing business in New York were also compelled to revise their contracts with their agents, in many cases very materially.

²⁵ The committee had planned to recommend that total expenses should be confined to the expense provision, or loading. This was subsequently changed so as to allow companies to include gains from mortality as assumed by the select and ultimate method of valuation in their allowance for expenses. The committee was persuaded to allow four renewal commissions, of $7\frac{1}{2}$ per cent, and after the March hearings the number was extended to nine. Had the original plans of the investigating committee to restrict initial commissions to 40 per cent and to prohibit all renewal commissions been carried out, the law would have enforced an economy more rigid than that observed by any regular American company. Forty per cent, or lower, maximum initial commissions were indeed in force in at least three companies, but hardly more, and these companies allowed renewal commissions for a long term.

A few very conservative companies have not been seriously affected by section 97. About half a dozen large companies of other states, and some smaller companies, had already been conducting their business practically within the limitations of section 97 relating to expenditures for new and for total business. A goodly number did not give prizes or extra compensation to agents for volume of business. But there were few companies, if any, having low initial commissions, that confined renewal commissions to nine years. In the latter particular most of the companies had to alter their contracts with agents. Some conservative companies expressed the fear that this loss of renewals might ultimately cost them a part of their agency forces.²⁶

In subsequent discussion this section has received more attention than all the others combined. Indeed both in legislative theory and in practical application it has been most radical. In theory it is radical because it departs widely from the *laissez faire* principle of leaving business details to business men. On its practical side its influence has been far-reaching, in compelling economical management, in the interest of policyholders, which had not resulted, and probably would not have resulted, from unregulated competition; because competition seems to have led to increased, rather than decreased, expenditures.

Regulation of insurance companies has never been

²⁶ Thus the president of the Mutual Benefit wrote: "It is by no means certain . . . that the renewal commissions allowed under the New York law will be sufficient to retain our agency organization as the old renewals disappear and the agents have nothing on which to live and conduct their business but the 7½ per cent renewal. The agency business requires some capital, and should be able to demand the best class of men, for their opportunity for good or evil is great." Annual Report of the President of the Mutual Benefit Life Insurance Company of Newark, N. J., 1908, p. 13.

confined in this country to the "freedom and publicity" which thus far, for the most part, has contented the British legislators, and which so pleases the average insurance man in this country. But while our regulation has been of a positive sort, it has heretofore been confined to questions of solvency, equity, and the like, and not to the internal economy of the companies. A departure so important as that involved in section 97 would not have been taken except for very grave cause. That the grave cause existed, needs not to be argued. If the extravagance in field methods was morally less culpable, it was at least not less injurious to policyholders than financial recklessness. It was generally admitted that with financial recklessness legislation could appropriately deal. But it was a novel proposal that legislation should presume to dictate what amounts should be expended in procuring customers. It was necessary, however, to take this novel step or else leave the most essential malady of the life insurance business uncured. The general clamor of life insurance agents against the limitations of section 97, and the tacit acquiescence of most of the companies, seem to confirm the impression that the companies are more or less at the mercy of their agents and dare not take an entirely independent stand. It is the ease with which solicitors can transfer their services from one company to another that has raised initial commissions from 10 per cent to 50 per cent and even more, on the usual form of policy. To get a satisfactory volume of business, agents were essential, and competition among life insurance companies, like that in fire insurance, has found the line of least resistance in high commissions. Hence the prevailing opinion was that it was time to restrain expenditures within reasonable limits. New York has here taken the most important step in insurance legislation since the valuation reforms introduced by Elizur Wright.

It would have been possible to arbitrarily limit the amounts which could be spent, but the Armstrong committee made no recommendation which prescribed an absolute limit. If the companies feel that they are justified in increasing their expenses for new business, they have only to increase their loadings to as high a point as they find policyholders are willing to go in supporting life insurance missionaries. It should be for the policyholders to decide how much they are willing to pay for being urged to take out policies of insurance. Section 97 makes it possible for them to determine, at least indirectly, since their approval or disapproval will be registered by the relation which new business bears to premium rates. Increased rates, for instance, would permit of higher commissions and hence stimulate the activity of the agent; but they would make policies harder to sell. On the other hand, very low premiums would make policies easy to sell but would tempt few sellers. Experiment alone can determine the rates which will result in the most active business. Hitherto policyholders had no such ready means of indicating how much they were willing to pay to be solicited, since before the passage of section 97 there was no necessary relation between expenses and loading.

It may perhaps be argued that while a company should not exceed its total expense provision, it should have the liberty to distribute its expenses as it chooses. But in such cases there is no guarantee that new policies will not be a burden upon old ones, and if the new policyholder dies or lapses early (and the latter is of common occurrence), the loss of the old policyholders is never recompensed if there has been an expenditure in excess of the margin provided by the loading and the mortality saving.

Yet in the vigorous protest that has been raised against these limitations, it has been charged that they impose unreasonable restraints upon agency activity. If there is any fault, it is with the loadings, but the companies are in no mood to increase their loadings materially, since some of their rivals are doing well with the present loadings, and if companies not writing as much new business as they crave were to advance their rates, they would be still further handicapped in the competition. The result is that rates are kept at the old figures and are still substantially uniform, with the exception of a few companies which have persistently kept their rates low; and commissions are now also practically uniform, for all have been reduced to the level permitted by the New York law for the loadings in question.

With practically uniform commissions, competition has had to seek a new channel, and sooner or later we may expect to observe dividends tending to become uniform as well. New business will continue to bear a close relation to the attained size of the respective companies, because the large companies have many agents and the small companies few, while the high cost companies will not see their agents, no longer retained by high commissions, deserting to enter the service of companies whose insurance is easier to sell, if by retrenchment and prudent management they can bring their dividends up to the standard.

In the matter of the cost of new business, as in most matters of legislation, in 1906, the regulations practically standardized the methods prevailing in model companies. Hence the degree of change which each company was compelled to undertake was measured by the extent of its departure from these methods. This explains why some companies, and particularly the agents of some

companies, have been so much more vehement in their protests against the limitations than other companies and their agents. The Connecticut Mutual and the Provident Life and Trust, for instance, having very low initial commissions, had few changes to make, notwithstanding that they have low gross premiums and hence small margins. The same may probably be said of the Mutual Benefit. The Northwestern Mutual had somewhat higher rates of commissions, amounting to 45 per cent on all usual forms of policies, yet these were not as high on ordinary life, twenty payment life, and long term endowment policies as section 97 permitted. The Northwestern has in fact raised its commission upon ordinary life policies from 45 per cent to 55 per cent. On the other hand it has been obliged to reduce its commission on twenty year endowments from 45 per cent to 35 per cent. The Union Central, the Massachusetts Mutual, Penn Mutual, and Ætna, with 50 per cent graded commissions, were also just about within the limitation. Other companies, and particularly those of New York, paid considerably higher compensation to their agents for new business. The actual loadings of the Northwestern's premiums are typical, so that in general we may say that the new law permitted about 50 or 55 per cent initial commission on ordinary life, 45 per cent on twenty payment life, and 35 per cent on twenty year endowment policies, and renewal commissions from the second to the tenth policy year of $7\frac{1}{2}$ per cent on the first two, and 5 per cent on the third.

These rates are very different from those previously employed in the New York companies. For instance, the Equitable before 1900 virtually allowed 75 per cent initial commission. In that year it adopted rates of commis-

sion of 50 per cent the first year, 20 per cent the second, $7\frac{1}{2}$ per cent the third, 15 per cent the fourth, and $7\frac{1}{2}$ per cent from the fifth to the tenth years on ordinary life policies. In addition it made advances to agents on the security of renewal commissions, many of which never materialized, and extra compensation in various forms.²⁷ The Mutual, after having followed for some time the plan of allowing liberal renewal commissions, and lending in anticipation, changed its methods shortly before the Armstrong legislation. It established branch office managers on salary and purchased outright the renewal commissions of agents, thus allowing a single "brokerage" commission of about 80 per cent. This compensation might not have been unreasonably high had it not been that a good deal of the business failed to renew, the company in this case having purchased something that proved to be worthless.²⁸ The New York Life, most successful of all the companies in procuring new business, had also established salaried branch office managers, and had concentrated commissions into a few early policy years. But its most distinctive mode of payment to agents consisted of extra compensation of various sorts, all based upon volume of business written. Bonuses and prizes were given for various exceptional achievements, and an agency organization called Nylic,²⁹ under the patronage of the company, gave benefits to its members in accordance with the attainments of each.³⁰ The United States Life paid commissions "ranging from 50 per cent to 80 per cent, with renewals from $7\frac{1}{2}$ per

²⁷ Armstrong Report, vol. 7, p. 112.

²⁸ *Ibid.*, p. 33.

²⁹ A name derived from the initial letters of the company's name.

³⁰ Armstrong Report, vol. 7, p. 67.

cent to 10 per cent for long periods," beside supplementary salaries and expense allowances. In at least one case an agent was put upon a basis of "95 per cent graded" with 10 per cent renewals for twenty years.³¹ The Manhattan Life allowed 60 per cent graded beside salaries and expense allowances.³² The Washington Life gave 75 per cent graded and usually gave advances to agents in addition.³³ The Germania while paying only 35 per cent of initial premiums and 4 per cent of renewals in Germany, gave 65 per cent and $7\frac{1}{2}$ respectively in America.³⁴ The Home Life gave 55 per cent graded, 10 per cent for "expenses", and $7\frac{1}{2}$ per cent for fifteen years out of renewals, and occasionally additional expense allowances and advances.³⁵ In the Bankers' Life, commissions were 65 per cent the first year, 15 per cent the second, and $7\frac{1}{2}$ to the end of the policy.³⁶ In the Provident Savings, the initial commissions were 50 per cent, expense allowance 20 per cent, and renewals 5 or $7\frac{1}{2}$ per cent, but the metropolitan agents got 65 per cent graded.³⁷ The agency manager of the Mutual Reserve received 85 per cent graded, with \$1.50 a thousand on renewals, also a salary of \$200 a week and expense allowance of \$200, rent for branch offices of \$20,000 a year, \$3500 a week for advances to agents, and special advances beside.³⁸ The Security Mutual paid 70 per cent, rarely 80 per cent, brokerage commissions, and in some cases 5 per cent

³¹ Armstrong Report, vol. 7, p. 122.

³² *Ibid.*, p. 127.

³³ *Ibid.*, p. 132.

³⁴ *Ibid.*, p. 138.

³⁵ *Ibid.*, p. 142.

³⁶ *Ibid.*, p. 149.

³⁷ *Ibid.*, p. 159.

³⁸ *Ibid.*, p. 180.

more for expenses.³⁹ The Life Association of America allowed as high as 90 per cent brokerage commission.⁴⁰

This completes the list of New York companies, excepting only the Metropolitan which does an "ordinary" business with moderate commissions in order to assist its "industrial" agents. It will be seen that not one of the regular New York companies conducted its business within reasonable distance of the limitations of section 97. Commissions above 50 or 55 per cent graded, renewals above 7½ per cent and beyond the tenth policy year, advances to agents against renewals, extra compensation by way of salaries or expense allowances above the maximum commissions, brokerage commissions, rewards for large volume or large policies, were all prohibited by the law of 1906. The home companies were most seriously affected, because as a class they had indulged most freely in "high pressure" agency methods. But companies of other states were by no means unaffected.

The returns for the first year of business under the expense limitations⁴¹ shows that practically all the companies operating in New York were able to conform with the requirements,—most of them with a very comfortable margin to spare. One company alone exceeded the limitation upon cost of new business, and this arose from a misunderstanding which cannot occur again. The cost of new business of other companies ranged from 49 per cent to 100 per cent of the allowance, the average being 91 per cent. The limitation upon total expenses appears to have been an unnecessary addition to the other limitation, for the average total expenditure of the com-

³⁹ Armstrong Report, vol. 7, p. 197.

⁴⁰ *Ibid.*, p. 205.

⁴¹ New York Life Insurance Report, 1908; *Best's Life Insurance News*, March 31, 1908; *Chronicle*, April 23, 1908; *Standard*, June 13, 1908.

panies amounted to only 66 per cent of the legal maximum. As it seems to work a hardship to a very few companies with unusually low loadings, it would be the best solution to confine the limitation to the cost of new business instead of extending it also to the cost of total business.

Against section 97⁴² a vigorous protest was offered at the Albany hearings before the passage of the act. After its passage this feature became the chief object of attention, and has continued to the present time to arouse the most general interest. Agitation has continued almost to the point of bitterness. Naturally many agents have been irreconcilable.⁴³ Home office managers have been in general less outspoken, yet a few have expressed themselves with warmth. President Kingsley, of the New York Life, for instance, protested that this, and other sections, "have proved a withering blight;" he characterized the section as "sumptuary and socialistic legislation, whose folly was demonstrated centuries ago;" and he even went to the length of claiming that it "in effect encourages extravagance in the non-efficient companies and ties the hands of the efficient companies."⁴⁴

Had the New York companies been agreed upon what should be done about section 97, it might have been amended earlier. In the legislative session of 1907 there was no appeal for change, since the effect of the section,

⁴² In the bill, section 98; in the act, section 97.

⁴³ See Brief of W. C. Johnson on proposed section 98 at the Albany hearings, March 9, 1906; also address of C. J. Edwards at Rochester meeting of Life Underwriters, *Monitor*, January, 1908.

⁴⁴ *Monitor*, February, 1908; *Ibid.*, March, 1908, quoting an address at Yale University on "Life Insurance in its Relations to Sociology." See also President Geo. E. Ide of the Home Life in *Putnam's Monthly*, June, 1907; and, in *Insurance World*, May 26, 1908, a quotation from an address at Cornell University on "Governmental Investigation and Regulation."

not being known, could not be satisfactorily presented. When the legislature met again in 1908 the section had been in operation for a year. Some companies had fared moderately well under it, others very poorly. Of the latter, some wanted one remedy, some another. Most wanted a less stringent provision as to cost of new business, but they were unable to agree upon the desirable form of relief. If, however, any wished the complete abrogation of the section and a return to the old unrestricted race for new business, none dared to urge its views. Probably there was no New York company which earnestly desired the absolute repeal of the limitation.⁴⁵ All were tired of the game and were glad to see their rivals, if not themselves, checked. But the restriction, while tending to produce a uniformity, affected the companies differently, since their methods had hitherto varied. The Association of Life Insurance Presidents took up the matter of proposed amendments in February. It acted favorably upon the proposed amendments relating to contingency reserve and permitting deferred dividends on sub-standard risks, but resolved unanimously to take no action with reference to section 97, apparently because of the impossibility of agreeing upon a generally satisfactory modification.⁴⁶ This practically amounted to referring the question back to the companies without recommendation.

A number of the smaller companies in and out of New York agreed upon a bill, introduced in the Senate, which would have modified section 97 in the interests of those companies in particular which sold non-partici-

⁴⁵ Thus President Ide, who severely criticizes section 97, says: "Limitation of expense is necessary—insurance men all admit it." *Putnam's Monthly*, June, 1907, p. 303.

⁴⁶ *Insurance World*, February 25, 1908.

pating, and low premium participating policies.⁴⁷ The New York Life procured the introduction in the Assembly of a rival bill which provided for some relaxation in the expense limitation, but the main purposes of which were to make the limitations inapplicable to individual agents and agencies, and to eliminate the "maximum wage scale" so-called, by permitting any company to expend its provision for new business according to any basis of agent's compensation it might choose to adopt.⁴⁸

To secure a bill which would be generally supported and hence stand a good chance of passing, a compromise was arranged which was based upon the Assembly bill, to which were added the features of the Senate bill relating to renewal expenses. Medical examinations and inspection expenses were not to be included in the cost of new business. Limitations were to apply only to companies and not to agencies. Maximum initial commissions were limited to 50 per cent. Five extra renewal commissions of 5 per cent were to be authorized and collection fees of 3 per cent instead of 2 per cent. Compensation to agents might take the form of prizes and rewards for volume of business, and other forms beside commissions or collection fees, provided expense limitations were not exceeded.⁴⁹

The compromise bill passed both branches of the legislature, unanimously except for the vote of Senator Armstrong, and was sent to the governor, who gave a hearing upon the bill on May 15. No company appeared to oppose the bill, and it was favored by representatives of the New York, Mutual, Home, Manhattan, Prudential, Phoenix, Connecticut General, New England, and John

⁴⁷ *Chronicle*, March 5, 12, 1908.

⁴⁸ *Insurance World*, March 24, 1908, Brief of J. H. McIntosh on Hamn Bill.

⁴⁹ *Chronicle*, April 2, 1908.

Hancock; and the National Association of Life Underwriters. Though there were some exceptions, the general attitude reflected at the hearing was that the companies did not desire greater latitude as to their aggregate expenses for new business, but did want authority to expend the provision in a different way, or on varying terms among different agents, especially to establish new agencies or maintain weak ones.⁵⁰

Notwithstanding the earnest support given to the bill, and the lack of any opposition, Governor Hughes vetoed it, on the ground that the increased allowance would permit unwarrantable outlays; and he urged that the limitations should not be changed hastily, and that it was then too early to determine what changes were advisable. He concluded: "While I am desirous that insurance agents should receive reasonable compensation and such just rewards as regard for the interest of policyholders will justify, and that our New York companies shall receive the recognition and enjoy the confidence which they deserve, I cannot approve the bill before me, as I believe that its provisions are ill advised, and that its enactment would impair the safeguards which should protect this important business."⁵¹ The veto provoked many bitter comments from insurance agents and their sympathizers.⁵²

The governor's position has however been justified by

⁵⁰ *Chronicle*, May 21, 1908.

⁵¹ Memorandum filed with Assembly bill no. 2054, May 23, 1908, published in *Chronicle*, May 28, 1908. See also *Monitor*, June, 1908.

⁵² See, for instance, the comments of W. C. Johnson quoted in the *New York Commercial*, May 27, 1908; and editorial in the *Weekly Underwriter*, May 30, 1908; and such remarks as this, "In the space of a few months one man in this country found out all there was to know about life insurance, discovered all of its evils, saw none of its benefits, and framed a code of laws that would make that great system absolutely perfect in every minute detail." *Spectator*, May 28, 1908.

the passage, with his approval, of a bill in the session of 1909, which, while consistent with the original purpose of section 97, modifies it so as to remove all reasonable opposition on the part of economical companies. The allowance for initial expenses is not increased, but renewal commissions are permitted to be run for fourteen instead of nine years, and authority is given to companies to make renewals contingent in whole or in part upon the efficiency of service of the agent, or upon the amount and quality of the business renewed under his supervision. Collection fees receivable after the termination of the renewal commissions are raised from 2 per cent to 3 per cent. In signing the bill which provided these modifications, Governor Hughes wrote the memorandum: "If any change is to be made in the statute, that now proposed may be allowed with the smallest risk of injury, while at the same time any possible ground of just complaint of the limitations of the statute is removed. After this, certainly no one can be heard to assert hardship who looks at the matter from the standpoint of the policyholder."

One problem created by section 97 has possessed considerable temporary importance, yet it must be regarded as an incidental question. That is the situation in which life insurance agents have found themselves. Probably a very large proportion of them think that their trade has been grievously and unjustly injured by the limitations. They can hardly be blamed for confining their attention to their own interests, yet they could not, of course, hope to justify their continued employment at rates of remuneration that were not in the interests of the policyholders. The business world in general honors no claim for tribute on the part of men who cease to be as greatly needed in industry as formerly, and life insur-

ance agents must be prepared to face diminished incomes or a thinning of their ranks unless they demonstrate that they are needed as much as ever. The readjustment has involved hardship, but the case in no wise differs from that of commission men and middlemen in other industries. It must be freely confessed that the agents have recently been laboring under peculiar hardships. Under the régime of extravagant commissions, agents multiplied rapidly and policyholders maintained them liberally. Now suddenly their harvest has suffered, and many have abandoned the field altogether, while many others have had to content themselves with greatly reduced incomes.⁵³ Unquestionably a sufficient number of men must retire from the business to leave to the remainder fair average incomes, which will be possible even under the limitations after the pressure of competition is somewhat relieved. While no one can deny that the readjustment has meant hardship for many, the fault is not with the present economy, but with the past extravagance.

While the limitations have undoubtedly influenced many to abandon the work of soliciting, care should be taken not to exaggerate the effect of the limitations. The abandonment of the field began as early as 1905, because of the disgust and discouragements of the agents who had been representing companies which suffered in popular esteem. The process of disintegration of agency forces continued during 1906, while the laws did not go into effect until 1907. Generally speaking, the companies which had been able to retain their agents in 1905 and 1906 found occasion to praise the "loyalty"

⁵³ "The latest report of the state insurance department showed that 3400 insurance agents had been thrown out of employment since the new insurance laws went into effect." *Semi-weekly edition, N. Y. Evening Post*, Oct. 26, 1908.

of their field men in 1907, though the year was a trying one, quite apart from any legislation. The October panic seriously injured the solicitor's business in the last quarter of the year, which is usually his best season. The recovery was swift, however, and the figures for 1908⁵⁴ were the most encouraging since 1904.

7. LIMITATION OF NEW BUSINESS

The enormous size of a few American life insurance institutions, as compared with the largest in Europe, is no doubt in a measure due to the considerably larger volume of insurance here than elsewhere, which is, in its turn, partly due to the characteristically aggressive spirit of American business men. In other lines of industry where Americans have reared prodigious enterprises, their ambitions have been constantly subject to the check of rising or falling profits, but mutual life insurance has been a business in which the economy of a given scale of operations has not been tested by a constant reference to profits. There was no natural curb to the ambition of managers, since losses by undue outlays were not borne by managers or stockholders, but by policyholders. The fate of the companies was therefore practically entrusted to the agents instead of to the actuaries. This meant high commissions and an expensive quest for new business. The old policyholders, and ultimately all policyholders, paid unreasonably high contributions to defray the cost of persuading others to take out insurance.

It was not wholly the large companies which engaged in this race for bigness. There were very few which confined their expenditures for new business within conservative limits. Surprisingly few, in other words, thought

⁵⁴ The last available official statistics.

more of dividends than they did of "growth." The methods of the large companies were imitated, and some small companies paid even higher commissions than the large ones. Managers of small companies allowed themselves to fret about the stability of their institutions, forgetful that the most successful insurance concerns have been even smaller. Some excuse for anxiety may have existed in the fact that the public had been imbued with false notions as to the relative merits of companies. Few understood much about dividends. On this subject the majority were easily confused and mystified. All, however, understood an appeal to size. Of course the impression of size could be conveyed in a number of ways. One company might boast of its insurance in force, another of the amount of its assets, another of its surplus, another of its reserve. Not one of these furnishes a proper standard by which to judge a company. Yet even after the public enlightenment of the last few years, the best of companies,—companies under no misapprehension of their mission,—still occasionally pay for advertisements which exhibit these facts alone. Small wonder that those managers who did fail to grasp their mission should regard themselves as menaced by the great companies, and should vainly try to keep up in the race! The great companies could, indeed, raid their agency forces. It not infrequently happened that a general agent, after spending time and money to train solicitors, would find himself suddenly without his men, they having been bought over by another company, with the promise of higher commissions. In this sort of contest the small companies were obviously at a disadvantage. But to the policyholder there was usually no advantage by the growth of the society—more often he suffered through the diversion of his surplus to bring in new members—

and from the point of view of the managers it should be borne in mind that what really menaced them was the high commissions rather than the size of the companies.

Not only were the smaller companies uneasy in the scramble for new business, the managers of the companies that were most successful in expanding knew only too well what expansion was costing. Some of the best informed among them even advocated arbitrary measures to check further growth. All were growing weary of a competition for empty distinction.

The reaction went even further among some of those outside the interested companies. Thus the Armstrong committee, after calling attention to the extravagant commissions, bonuses, prizes, salaries, and entertainments resulting from the race for bigness, and to the demoralizing example set the small companies, urged that "the growth of the [largest] companies has long been a matter of grave concern to students of insurance conditions. No useful purpose will be served by their becoming larger. Their membership is so large and their resources so vast as to make the question of their responsible control and conservative management one of extreme difficulty; and their magnitude if permitted to grow unrestrained will soon become a serious menace to the community."⁵⁵ They therefore recommended that no company should be permitted to write more than \$150,000,000 of new business in any one year. Fearing that "the release of the small companies from the strenuous competition of the others would result in a severer rivalry among themselves," the committee further recommended that in each year companies having \$50,000,000 to \$100,000,000 of insurance in force should add not more than 30 per cent; those with \$100,000,000 to

⁵⁵ Armstrong Report, vol. 7, pp. 297-8.

\$300,000,000 not more than 25 per cent; \$300,000,000 to \$600,000,000 not more than 20 per cent; \$600,000,000 to \$1,000,000,000 not more than 15 per cent; and industrial companies, not more than 50 per cent; and no company more than \$150,000,000. These recommendations were enacted,⁵⁶ protest against this arbitrary feature of the new law being but faintly heard. The small companies tacitly or openly approved. At the hearing, March, 1906, before the committee of the whole to consider the Armstrong bills, Mr. W. C. Johnson, officially representing the agents of smaller companies, argued that "the state may properly, on grounds of public policy, limit the size of insurance corporations, it being obvious that concentration of vast financial power in single units might work injury to the commonwealth."⁵⁷

It is more surprising to learn that the limitation was explicitly advocated at the hearing by representatives of the large companies, and the principle of limitation seriously opposed by none. Mr. Emory McClintock, vice-president of the Mutual, and commonly recognized as the foremost living American actuary, declared that he had for many years favored limiting the growth of the largest companies, and testified that upon his recommendation his company had at one time seriously considered self-limitation.⁵⁸ Judge William H. Hornblower, while protesting against a sudden limitation, announced that "we of the New York Life say we are perfectly willing you should reduce our business in the future and place a limit on our business." He said further: "I have for years been of the opinion that the great massing of capital in the hands of these corporations, if it kept on indefinitely,

⁵⁶ Section 96 of the insurance code.

⁵⁷ Brief, p. 4.

⁵⁸ Public Hearings on the Amendments to the Insurance Laws, proposed by the Armstrong Committee, 1906, vol. 1, pp. 75, 76.

was a matter for very serious consideration, and for one I am quite willing, and I think it is the general sentiment of the officers and directors of these companies, that there should be a limitation."⁵⁹ Paul Morton, President of the Equitable, while expressing the opinion that any limitation was theoretically unwise, believed that his own company's new policy would not bring its new business up to the proposed limits.⁶⁰ The limitation made no allowance for lapses. The sponsors for the insurance companies shared the belief of the Armstrong committee that the limitation would operate in such a way that growth or decline in the volume of business would depend largely upon its persistency. With the committee the refusal to allow for lapses was deliberate, and there are not wanting signs that the companies on their part are taking pains not only to select their business more carefully, but also to use greater efforts than heretofore to restore lapsed policies.⁶¹ Under the present limitations, companies that are not to go backward can afford to take only that business which they expect to keep. The largest company, for instance, is allowed only about as much new insurance annually as its yearly terminations had amounted to. Therefore, in order not to reduce its business, or remain

⁵⁹ *Ibid.*, pp. 326-330, 333.

⁶⁰ *Ibid.*, p. 7m.

* ⁶¹ The New York Life Insurance Company's annual bulletin to its cashiers on the question of lapses shows that the lapse ratio on American business in 1907 was 4.64 per cent as against 6.83 per cent in 1906. "The company renews its offer of a 2 per cent collection fee to all cashiers for reinstatements effected in 1908 on all business issued prior to January 1, 1907, which lapsed prior to November 1, 1907. The reinstatement department did good work, one man reinstating over \$1,000,000 of lapsed insurance and another reinstating 592 separate policies. During 1907, 4276 were reinstated where policy loans existed, when reinstatement is more than usually difficult, as compared with 2050 under similar conditions in 1906." *Insurance World*, March 3, 1908, p. 166.

stationary, it must reduce its terminations below the amount of new business allowed.⁶²

By reason of the disturbance in the insurance business since 1905, the New York companies in general have lost rather than gained business. Hence this limitation has been of no practical consequence thus far, except to the New York Life. This company, though it too has lost more than it has gained, has been adding a large amount of new business, albeit less rapidly than heretofore. During 1907, the first year that the limitation was in force, it would apparently have added close to its limit of \$150,000,000 of new insurance, had it not been checked by the October panic. As it was it issued \$135,800,000. Its situation since then has become acute in this respect. This company no longer has any grievance against section 97. It is offered more business at the reduced rates of commission than it is legally able to accept. It has had to resort to a variety of measures to check its own expansion. It has lopped off foreign branches, it has closed some of its agencies in the United States, it has dismissed all its part-time solicitors, and at the close of last year it temporarily refused all new business for fear of exceeding its limit. Though practically unsupported, it has been waging an unrelenting campaign against this limitation, in the press, through letters to policyholders, and speeches of its president.

An interesting and unexpected consequence of the limitation of new business has been the recent revival of the survivorship annuity business by the New York Life. Survivorship annuities are not legally considered as insurance policies, and hence are not included in the \$150.-

⁶² "One hundred and fifty million was arrived at by the committee for the purpose of curbing the largest and fastest growing of these companies practically within its present limits." Remark of Senator Armstrong, Hearings, vol. 1, pp. 333-4.

000,000 of new insurance to which that company is now limited. Moreover, non-participating annuities may be issued by the mutual companies of New York. Hence the New York Life has found a policy which it can issue without any legal limit. This is as fortunate for the public as for the agents of the company, because, while not available for the protection of the policyholder's estate, it affords an excellent means of protecting a single designated beneficiary, such as a wife or a mother, at extremely low cost. This is a form of protection which has long been sought by a small number of discriminating patrons of insurance companies, but there is no reason why it should not become popular provided its prospective purchasers are carefully instructed that this cheap means of protection is available for one beneficiary only, and that the contract lapses if that beneficiary should die before the nominator.

When conditions once more become normal in the insurance world, the limit upon volume of new business may prove embarrassing to other New York companies. Certain foreign companies have been gaining rapidly in comparison with those of New York. The Northwestern Mutual, for instance, most nearly comparable in size to the Mutual and the Equitable, is rapidly approaching the point where, if it were domiciled in New York, it would have to restrain its activities; and, since it is subject to the same limitation on expenses of new business, this indicates that the New York companies may expect difficulty when they succeed in recovering their prestige.

Three arguments have been offered on behalf of this limitation. It was urged that companies would select their business better, choosing the less expensive and more persistent business, and business of better quality generally, if they were obliged to cut off some branches

of their activity.⁶³ But it is doubtful whether on this ground alone it would have been deemed prudent to thus interfere with the discretion of company officials.

It was argued that the limitation would cure extravagance. This raises the question whether the limitation upon the cost of new business was alone a sufficient remedy, or whether the fever for new business required to be checked by two medicines instead of one. It would appear that, on this score, limitation on new business was unnecessary, provided expenses were duly limited. The latter provision would alone guarantee that growth should be moderate, except under very extraordinary circumstances, justifying unusually rapid growth. If expenses are limited, there is sufficient warrant that there will be no undue extravagance in getting new business. The two limitations remove first the means, and then the temptation. To remove one would have sufficed, and an arbitrary restriction might have been spared, and a just point of attack, on theoretical grounds, avoided.

The third argument for limitation arose from the fear that the great aggregations of funds in a few institutions were dangerous both to the policyholders and the public. It should be borne in mind, however, that this hostility to concentration of business power is neither new nor confined to life insurance. It is easily as old and as broad as the business corporation problem. It is not courageous to deal with vast and growing accumulations by arbitrarily checking them. In life insurance, just as among other business corporations, governments have done much to artificially stimulate such concentration. It is of course wise to remove all such influences. But it is shortsighted policy to seek to encourage rare fidelity to great trusts, and a spirit of fairness in the

⁶³ Armstrong Report, vol. 7, pp. 298-9.

general business world, by forbidding men or companies from accepting all the business which legitimately comes to them, and which they prove their capacity to handle ably and faithfully. It must be regretfully admitted that we have not yet learned how to compel efficiency, economy, and integrity in great corporations. But the petty corporations of today were the great ones of yesterday. We shall never solve the problem by ignoring it, but only by struggling with it till we master it. No one supposes that expanding business organizations will not give rise to difficulties, or that they will easily find servants who are at once equal to their tasks and faithful to their charges. Further legislation will no doubt be required. But this is what our legislatures are for. In their experiments they may sometimes make mistakes, and one of those mistakes is the attempt to curb the natural growth of insurance companies.

8. CONTINGENCY RESERVE (SURPLUS)

Life insurance premiums are based upon a mortality table which is so conservative that companies rarely experience a death rate in excess of 90 per cent of the table. Premiums are also based upon an assumed interest rate which is placed so low that there is no reasonable prospect that it will fail to be realized during the life of any policyholder; they are adjusted to the anticipated rate of a generation or more hence. While companies are earning from 4 per cent to 6 per cent net upon their investments, they are reserving upon the higher basis of 3 per cent or $3\frac{1}{2}$ per cent,—a very few still retaining as low a basis as 4 per cent. Finally, the loading for expenses is more than ample, except for the expenses of the first year, which are fully met out of the loadings of the first three premiums. According to the original ac-

tuarial theory, the loading is not wholly for expenses, but partly for contingencies, and partly also for dividends. To load for dividends does not seem a very sensible procedure. It at once invites the query, why make a deliberate overcharge for the sake of giving a more substantial refund? Conservatism again is largely responsible. The thing has always been done here and in England, ever since loading has been employed. It is supposed that policyholders will not appreciate a small difference in the size of premiums but that they will appreciate large and steady dividends. How large an element of the loading is its contribution to dividends may be seen from two typical illustrations. The Massachusetts Mutual issued in 1903 ordinary life policies for premiums, at age 45, of \$39.02. The net premiums being \$28.35, the loading amounted to \$10.67. The dividend in 1906 equaled \$6.15, of which \$4.20 was contributed from the loading. The Northwestern Mutual issued ordinary life policies for premiums at age 35 of \$27.93, the net premium being \$21.08 and the loading \$6.85. At the end of the seventh policy year the dividend amounted to \$7.01, of which \$3.51 was a contribution from loading.⁶⁴ Dividend factors are subject to change from time to time, but are usually maintained at a constant figure for a long term of years.

There has been some doubt expressed of late years as to whether it is advisable to load deliberately for contingencies. Of course a heavy loading offers a convenient means of adjustment to new difficulties; a simple alteration of the dividend factors will make good any unforeseen losses without requiring any changes in the original premiums. Thus if unexpected losses by invest-

⁶⁴For the dividend factors of many important companies see Massachusetts Life Insurance Report, 1907, pp. xv-xxxiii.

ment should occur, or if the expected rate of interest should fail to be realized, or the mortality assumption should be exceeded, the loading could be easily drawn upon. But there seems to be little warrant for supposing that these contingencies will arise if the premiums have been calculated, as they should be, by a safe ultimate table and a low interest rate. Under these circumstances, the undivided surplus ought to be adequate to overcome any losses that are unavoidable and unforeseen, such as investment losses, or any decline in the market value of securities. As a matter of fact, the companies have erred by providing altogether too well against contingencies. To recapitulate, it has been the custom (1) to adopt a mortality assumption known to be excessive; (2) to adopt an interest rate lower than that earned; (3) to load considerably in excess of expenses, of which nearly all are easily estimated, being a matter of contract, the balance of the loading being always available for contingencies, but ordinarily returned in dividends; (4) to accumulate a large undivided surplus as a protection against contingencies.

Every contingency is provided against two or three times over. The contingency which actually causes embarrassment to well conducted companies is that of the fluctuation in the market value of securities. Policyholders were thus charged excessive amounts in original premiums, of which excessive amounts have been retained. It is a mistake to suppose that these things ultimately make no difference to them. No just criticism arises because net premiums are conservatively high. All companies have practically the same net premiums, for nearly all employ the American experience table, and it makes no very considerable difference whether they combine it with a 3 per cent or $3\frac{1}{2}$ per cent table. But

companies differ widely in respect to the amount of their loadings, and in respect to the amount of surplus relative to liabilities. Investigation shows that neither of these points is a matter of indifference to policyholders. With regard to the amount of loading, the matter would be simpler if all policies were of one kind, for on ordinary life policies all but a few companies load with about one-third of the net premium. But loading in most companies is unduly heavy upon endowment policies, and, during the premium paying period, on limited payment policies, considering that the actual insurance is the same in each case.⁶⁵ The matter is more serious because dividend factors ordinarily make no discrimination between different kinds of policies.

The committee's recommendations with regard to surplus provided that when net values, as calculated by the minimum standard,—that is, the select and ultimate,—were less than \$100,000 either 20 per cent thereof, or \$10,000, might be accumulated. "Where such net values are greater than \$100,000, the percentage thereof, measuring the contingency reserve, shall decrease $\frac{1}{2}$ of 1 per cent for each \$100,000 of said net values up to \$1,000,000; $\frac{1}{2}$ of 1 per cent for each additional \$1,000,000 up to \$10,000,000; $\frac{1}{2}$ of 1 per cent for each additional \$2,500,000 up to \$20,000,000; $\frac{1}{2}$ of 1 per cent for each additional \$5,000,000 up to \$50,000,000; $\frac{1}{2}$ of 1 per cent for each additional \$25,000,000 up to \$100,000,000; $\frac{1}{2}$ of 1 per cent for each additional \$50,000,000 up to \$200,000,000; $\frac{1}{2}$ of 1 per cent for each additional \$100,000,000 up to \$500,000,000; and thereafter the con-

⁶⁵ The Armstrong committee introduced a bill to limit loadings on endowment policies and substantially on limited payment policies, to the absolute amount loaded upon the ordinary life net premiums at corresponding ages. But this was defeated by the opposition of the insurance companies.

tingency reserve shall not exceed 2 per cent of the said net values.⁶⁶ All these limitations were liberalized considerably, upon the urgent request of the actuaries, so that the largest companies in the final legislation are allowed 5 per cent instead of 2 per cent for contingency reserve.⁶⁷

Much of the huge surpluses which a number of companies had accumulated by curtailing dividends was being wasted and dissipated by extravagant commissions on the one hand, and unprofitable investments on the other. That there was plausible excuse for limitation upon the amount of undivided surplus, or contingency reserve as it is now called in New York, cannot be disputed. The limitation, however, was open to criticism upon two grounds,—first, that it was unnecessary, and, second, that it was unsafe.

It was unnecessary because other provisions of the reform law effectively dealt with excessive cost of new business, and with unprofitable employment of funds,—the two evils which beset the surplus. Having removed all improper motives for accumulation of surplus, the matter might well have been left to the judgment and responsibility of directors. It may be answered that in fixing the scale of limitations due attention was paid to the prevailing practice of the companies, departures being made only for good and sufficient reason. The limitation was still open to the objection that it relieved directors from all further responsibility, transferring it to the legislature.

This responsibility was a serious matter, for there was room for some fear that the limitation was not sure to be invariably safe, under existing statutory requirements. Careful distinction must be drawn between the technical and legal danger of impairment, resting on the market value of securities, and the real danger of

⁶⁶ Armstrong Report, vol. 7, p. 325.

⁶⁷ Laws of New York, 1906, Chap. 326, sec. 87.

failure to perform contract obligations. A temporary bond market depression might produce a technical insolvency if assets were required to be entered at their market values. But no such temporary condition of the market would actually disturb the faithful carrying out of policy contracts, since in life insurance claims are presented with a fair degree of regularity. No necessity arises for sudden sale of securities in a depressed market. Had life insurance companies been permitted and accustomed to adopt adjusted book values instead of market values for their securities, there would have been little ground for anxiety. But, since market values were adhered to, there were misgivings lest the authorized surplus might not always be adequate; and it was uncertain whether the superintendent had authority to accept any other values than the market prices. The crises of 1907 promptly confirmed these fears. Fortunately the decline in market values was not quite severe enough to endanger the solvency of any New York company,⁶⁸ though some were so seriously embarrassed that they thought it prudent to take advantage of the proffered leniency of the insurance commissioners, known as the "Louisville Resolution," or the "rule of thirteen," which permitted companies to take market averages for the thirteen months from December, 1906, to December, 1907, inclusive, instead of valuing their securities as of December 31, 1907. Although only one prominent New York company availed itself of this privilege, the situation was sufficiently serious to cause general anxiety.

⁶⁸ The Provident Savings was brought to the brink of insolvency by the group of speculators who precipitated the October panic, but its troubles were not due to depreciation in the market value of its securities. In fact its securities had been largely sold in order that large cash balances might be given to the Thomas banks. See report of S. H. Wolfe to E. E. Rittenhouse, *Best's Life Ins. News*, January 31, 1908.

Had market values been a little lower, a large number of companies might have been thrown upon the mercy of insurance commissioners to avoid technical insolvency.

If the free surplus which companies carry were to continue subject to limitation, it seemed that a change in the method of valuing securities was imperatively demanded. As a solution Mr. Dawson urged the substitution of the amortization plan for market values. The change was desirable even apart from the fact that it was needed to guard against the danger that might arise from inadequate surplus. There is no sound reason for measuring solvency by the market values of securities. A company purchases bonds not with the purpose of selling, but to hold until maturity, and then reinvest. As a life insurance company should not speculate, it must not watch the market for opportunities to sell at a profit. It can get only par for a bond at maturity, and hence it should enter its bonds at their purchase price, and adjust this price annually so as to give the par value at the date of expiration of the security. While the company should not aim to profit by an abnormally high price of securities, it should not be made to suffer by their abnormally low price. The adjusted purchase price plan, or amortization plan, of bringing bonds to par makes the assets independent of transient commercial conditions.

A bill prepared by Mr. Dawson was accordingly introduced into the legislature, March, 1908, providing that bonds well secured and not in default either as to principal or interest, in which reserves but not capital or surplus are invested, should be valued at par if purchased at par, and if bought above or below par should be valued by such adjustment of the purchase price as will bring them to par at maturity, while maintaining "the effective

rate of interest at which the purchase was made."⁶⁹ The bill failed of passage at that session, but was enacted in the session of 1909.⁷⁰ While life insurance companies may not ordinarily avail themselves of the opportunity to value their securities in this way, the authority is an assurance that they will not be dependent upon expedients of dubious legality to maintain their technical solvency in time of crisis.

9. DIVIDENDS

Section 83 requires that dividends shall be paid annually on all participating policies.

Practically all the abuses that have of late been revealed in life insurance circles have concerned the holders of participating policies only. It cannot be too often repeated that contracts were strictly observed. Under these circumstances non-participating policyholders could not suffer unless exorbitant non-participating premiums were charged by all companies. This was not the case. Economical companies were offering non-participating policies at less than cost, commissions included, and the more extravagant New York companies were offering these policies at the same rates. The surplus, as we have been so often told of late, was the occasion of abuse and mismanagement. Only the participating policyholders had an interest in the surplus.

There has been dispute as to the precise influence of the system of deferred dividends in causing, or rather in tempting abuses. Following English practice, the earliest plan of distributing surplus had observed five-year periods. But it was not long before competition

⁶⁹ *Chronicle*, March 19, 1908.

⁷⁰ Laws of New York, 1909, Chap. 301, amendment to section 18 of the insurance code.

brought annual dividends, that is, distribution of excess receipts. Annual dividends were employed almost exclusively until the introduction shortly before 1870 of the tontine policies of the Equitable. The latter accumulated the dividends instead of distributing them annually. They provided also for forfeiture of all dividends and also of the policy value, or reserve, in case of lapse, and of dividends alone in case of death within the accumulation period. There is little doubt that the object was partly to avoid unfavorable dividend comparisons. But for a time these policies sold well, being opportunely offered just at a time when annual dividends were causing disappointment on account of lowered interest, increased expenses, and a decreasing proportion of fresh risks. But the enormous lapse rate and the harshness of the penalty of lapsing soon caused the tontine policies to become unpopular and "semi-tontines" were adopted in their stead. Semi-tontines did not involve forfeiture of the full reserve in case of lapse, but retained the feature of accumulating the dividends, paying them out only to the surviving and persisting policyholders. Lapse or death, therefore, entailed forfeiture of all dividends during the dividend period.

Although this system was, in its inception, an expedient for postponing the payment of dividends, it soon proved popular not merely with insurance managers but also with the public. Annual dividends were declining, thus unjustly discrediting well-managed companies. Men were prepared to experiment with a new plan which promised large returns from the forfeitures of those who died prematurely or lapsed. This was essentially an appeal to the gambling instinct, because it depended upon the hope of the policyholder that he would be more fortunate than others with exactly similar prospects of surviving.

Another appeal, made somewhat later, was to the idea of compensation. Those who died early, it was said, are a burden upon those who live long. In justice, the latter should be given a slight recompense for their disproportionate share of the costs, since, as it proved, they least needed the insurance, yet had paid most for it. This argument is plausible but overlooks two important facts:

1. In either case the insured gets what he paid for, namely, protection, and the longer he lives the more protection he has. Indeed, contrary to the usual contention, it is not generally the man who dies early who gets his insurance cheaply. The policyholder who takes a level premium policy and dies soon after has paid a heavy amount for his insurance. For instance, at age 25, a ten year term policy would have cost him about \$10.00,⁷¹ a twenty year term about \$13.00,⁷² an ordinary whole life policy \$20.00,⁷³ a twenty payment life \$27.00,⁷⁴ and a twenty year endowment \$45.00,⁷⁵ for annual gross premiums without deducting dividends. If now the policyholder dies within the first year, let us say, he has had the same protection and his beneficiary receives the same benefit no matter which kind of a policy he had taken. If his choice was a high priced level premium policy instead of a term policy, there is no occasion for complaint, although events ultimately proved, what he could not have known in advance, that the level premium policies were all poor bargains for him. They were good bargains rather for those with long lives who needed the protection for many years. It is wise for most policy-

⁷¹ \$10.58 in the Northwestern Mutual.

⁷² \$12.65 in Penn Mutual.

⁷³ \$19.80 in Provident Life and Trust.

⁷⁴ \$26.75 in Provident Life and Trust.

⁷⁵ \$44.82 in Provident Life and Trust. (These figures are all considerably lower than the average on account of small loadings.)

holders to carry the larger portion of their insurance on level premium rather than term plans, but to argue that those who pay a few level premiums and then die obtain their insurance cheaply enough anyway, and can therefore afford to forfeit their dividends to those who survive so long that level, as compared with ascending, premiums prove a real advantage to them, is to completely reverse the facts. The ease with which high authorities fall into this error is an illustration of the confusion which investment features readily occasion when combined with pure life insurance.

2. The second consideration is that in deferring his dividends, with the chance of forfeiting them by death, the insured is in reality defeating to that extent the object of his policy, since the insurance premiums constitute his wager that he will die, while his accumulated withheld dividends constitute his wager that he will live. Deferred dividends, while not nominally reducing the face value of the policy, accomplish the same result, for they increase the pecuniary loss resulting from death, whereas it is the object of the insurance to reduce that loss. In the words of an advocate of the system, "The plan not only requires payment of the full tabular premium each year without reduction by dividend, but the insured agrees to risk his entire surplus accumulation upon the chance of surviving the selected period of ten, fifteen, or twenty years."⁷⁶

Most of the companies favored deferred dividends, because they could be easily sold, at least at first; because they postponed accountability for surplus, thus concealing low returns; because they aided in the race for business, by providing a fund which could be borrowed; because they prevented distribution of dividends before

⁷⁶ *Transactions Actuarial Society of America*, vol. 4, p. 350 (1895-6).

they were earned; and because they readily afforded an equitable method of dealing with underaverage risks. In too many instances the system was favored also because it afforded immense resources with which managers could speculate. This evil caused some observers to go to the length of tracing to deferred dividends all the evils and abuses recently disclosed.⁷⁷ Without admitting as much as this, we must admit that the evils were intensified by the fact that the unapportioned surplus was made unusually large by the deferring of dividends. While deferred dividends were adopted by all the extravagant companies, they were adopted also by some very prudent companies. Among the large companies which have been in recent years the best dividend payers, three out of five have never sold deferred dividend policies. But the other two have done so, and have given quite as high returns.⁷⁸ The question whether or not there is any necessary relation between deferred dividends and extravagance may be dismissed, since all but three of the important companies have written policies on both dividend plans. That there was less steady pressure making for strict economy must, however, be obvious, and there was a general, even though not necessary or universal, influence exerted by deferred dividends in the direction of higher costs.

It has been argued, however, that policyholders ought to be free to take deferred dividends if they want them. But such evidence as is available indicates that policyholders have not manifested any conscious preference for deferred dividends. At the outset, perhaps, the pop-

⁷⁷ See, *e. g.*, Commissioner Host in Wisconsin Life Insurance Report, 1905, pp. 14ff., 27ff.

⁷⁸ The Provident Life, Connecticut Mutual, and Mutual Benefit have never issued deferred dividend policies. The Union Central and the Northwestern Mutual have issued both annual and deferred dividend policies.

ularity of the deferred dividends may have been attributable to deliberate choice of this method of distribution. But since the plan has been better understood, and especially since the results have become apparent, they seem to have elected to defer their dividends only when their "choice" has been guided by an agent influenced by a discriminating commission. Companies which gave the same commission on annual as upon deferred dividend policies soon found the former more popular. When the Northwestern Mutual decided to remove the agent's influence as far as possible in this matter, and left the manner of distributing dividends to be decided by the insured at the end of the second policy year, it found that an almost inconsiderable number chose deferred dividends.⁷⁹ The Equitable, on the other hand, paid 50 per cent initial commission on deferred dividends and only 25 per cent on annual.⁸⁰

It should also be borne in mind as bearing upon the supposed exercise of choice by policyholders that in many cases, if not in most, policyholders really did not understand the difference, important as it was. The average purchaser of insurance of a few years ago did not know much about dividends, and often did not know that he could get an annual dividend policy. There were only a few companies which took pains to offer annual dividends, and the agents of most companies, and particularly of those which had the most extensive business, only placed annual dividend policies when these were asked for and insisted upon. Many a man has learned that he could have received his dividends as earned only after

⁷⁹ In 1903, 768 out of 29,223. In 1904, 579 out of 30,350. Report of the Frick Committee published in *Life Insurance Caurant*, July 6, 1905; also in Wisconsin Life Ins. Report, 1905, pp. 986-7.

⁸⁰ *Ibid.*

he has carried a deferred dividend policy for a considerable time.

Another argument in favor of deferred dividend policies lies in the assumed tendency of such policies to remain on the books until maturity. It is true that one of the most serious problems in life insurance is the enormous lapse rate. While the persistency of policyholders varies widely as between different companies, the average lapse rate is very high. A recent investigation showed that of 5900 policies issued in June 1885, 1300 (22 per cent) had lapsed before the second premium was paid, and over 1700 (29 per cent) within twenty years. Other data covering different periods showed an even heavier lapse ratio.⁸¹ Twenty-five representative companies reported that in 1906, 85 per cent of their policy terminations were due to voluntary lapse, surrender, or decrease, and only 15 per cent as originally contemplated, either to expiry, maturity, or death. Percentages by amounts instead of number of policies are not very different.⁸² To check this tendency, all sorts of plans have been tried, but nearly all penalty provisions have proved unsatisfactory and have been given up. In the beginnings of life insurance, a retiring policyholder forfeited his entire reserve as a matter of course. Yet, notwithstanding their heavy loss by so doing, so many retired, sometimes on account of good fortune which removed the need for insurance, sometimes on account of indifference, sometimes on account of ill fortune, and sometimes on account of other reasons, that it became manifestly unjust to exact full forfeiture. It was imprudent as well, because the fear of forfeiture kept many

⁸¹ Wisconsin Insurance Investigation Committee's Report, pp. 138-141.

⁸² Connecticut Life Insurance Report, 1907, pp. 773-4. (Figures for the non-industrial companies of states other than Connecticut.)

from entering. In this country, legislation and the competition of companies led to liberal surrender values. Then came the reactionary tontine policies which endeavored to resurrect the heavy forfeitures as a penalty for lapsing. It was hoped that this would popularize insurance and induce many to enter with the hope of profiting by the losses of retiring members. But unpopularity resulted and those who did persist failed to reap the extraordinary profits anticipated. Instead of holding on to the end, members tended to retire with small losses in order to escape the large loss of a possible later retirement. This tended to make the cost of getting new members absorb the profits from the lapses of older ones. Eventually the full tontine policies had to be given up, because the heavy forfeitures they exacted had failed either to prevent lapses or to profit persisting members. Semi-tontines, or deferred dividend policies, were substituted; and it has since been claimed for them that they will prevent lapses on the one hand, and, on the other, give unusual profits to those who remain. It will be observed that these two arguments are essentially contradictory. It might be that one could be realized, but hardly both. As a matter of fact, just as in the case of full tontines, neither has come to pass. Experience has clearly proved the fact that there were no great profits to be reaped from the losses of lapsing members, since the cost of new business was enough greater than in the case of annual dividend business to make up the difference. But the argument that deferred dividend policies have an advantage in point of persistency has been longer urged. The contention was supported on the simple ground that, with dividends at stake, policyholders would be less willing to lapse. But this was an assumption which previous experience with full forfeiture of reserves and

dividends has disproved. Over against this assumption, moreover, was the fact that the strictly annual dividend companies had had a considerably better experience than the others.⁸³

The latest contribution to this discussion comes from the Wisconsin investigating committee, which has made a careful study of the subject, showing conclusively that annual dividend policies are considerably more persistent than deferred dividend policies.⁸⁴

The theoretical objections and the practical disadvantages to the policyholder were not, however, the considerations which turned the tide of unpopularity against the deferred dividend. Indeed, theoretical and practical objections were vainly urged for thirty-five years while the practice spread from one company to another. The example of the Equitable was gradually adopted by the other New York companies and within fifteen years all the prominent companies outside of New England, with the exception of the Mutual Benefit, the Provident Life and Trust, and two New York companies, had taken up the deferred dividend business.⁸⁵ The last of the New York companies joined the procession soon after, and ultimately all did so but the Mutual Benefit, the Provident Life, and a couple of the New England companies. Notwithstanding their early vigorous denunciation of

⁸³ For instance, in 1905 the per cent of insurance voluntarily relinquished to the insurance in force amounted to 2.5 in the Connecticut Mutual, to 4.3 in the Provident Life and in the Mutual Benefit, and to 4.7 in the Massachusetts Mutual; while of the deferred dividend companies the average percentage among those of New England was about 6.4. Among New York companies, the rate was very much higher, reflecting in part the usual conditions and in part the abnormal conditions that resulted from investigations.

⁸⁴ Report of the Wisconsin Insurance Investigation Committee, pp. 138-141.

⁸⁵ See Report to the Ins. Dept. of Ohio, of the Senate Committee appointed to investigate tontine insurance, 1885. Appendix, pp. 207ff.

tontines, all companies seemed to be drawn irresistibly toward them. Meanwhile a generation of policyholders had grown up that knew little of annual dividends. The insistent criticism of a few life insurance presidents⁸⁶ went unheeded; and the booklet⁸⁷ issued in 1902 by an ex-commissioner of Wisconsin failed to win supporters. As late as 1905 the contest of Commissioner Host of Wisconsin to compel the Equitable to desist from issuing deferred dividends in that state met with general disapproval among the other insurance commissioners.⁸⁸

With such general complacency and with official approval so recently and so unanimously expressed, it is, to say the least, surprising that deferred dividends should have received their death warrant in 1906 with complete acquiescence, or at least with entire absence of vigorous protest. The explanation of their sudden fall from favor lies in the reckless and slovenly bookkeeping that had been employed. The official and private investigations of 1905 showed that the customary methods of apportioning deferred dividends were so loose that managers were practically without responsibility with respect to them. It is significant that within the space of a single year a commissioners' examination converted insurance commissioners from their approval of deferred dividends, a legislative inquiry turned public favor from them, and a directors' examination prepared insurance managers for their discontinuance, in each case chiefly because of the exposure of the evils which so easily followed from postponed accountability.

The examiners who investigated the New York Life

⁸⁶ Especially Col. Jacob L. Greene, President of the Connecticut Mutual, in his annual reports, and in numerous public addresses.

⁸⁷ Fricke, W. A., "The Law and Distribution of Surplus," 1902.

⁸⁸ See L. A. Anderson, in *Annals of Amer. Acad. of Pol. and Soc. Sci.*, vol. 26 (1905), "Distribution of Surplus", pp. 711ff.

in 1905 on behalf of five insurance commissioners reported that:

"In the opinion of your examiners, a true method of accounting by which the policyholder may be informed from time to time of the exact amount of the dividends to his credit is the proper substitute for all . . . deferred accountings."⁸⁹

Commenting upon this report, the insurance commissioners of Tennessee, Kentucky, Minnesota, Nebraska, and Wisconsin argued that:

"Under a system of annual accounting and apportionment each policyholder would be fully informed as to his rights, and the full amount due policyholders would appear as an actual liability. The necessity for making a good showing annually would compel the strictest economy, for in this way only could competition be met . . . We have no hesitation in saying . . . that the greatest evil in life insurance at this time is the deferred dividend system, the elimination of which we heartily recommend, together with provisions for securing a proper accounting to the present holders of such policies."⁹⁰

A few companies have also taken the same position. The Northwestern Mutual and the Home Life, for instance, have always kept an annual account of their contingent liability on deferred dividends; and the facts seem to support their claim that the constant opportunity their policyholders have had of watching their accumulations has guaranteed a scrupulous guarding of those funds.

Upon this subject the Armstrong committee declared:

"Of all the reforms suggested by the committee, nothing, it is believed, is more imperatively demanded than that the companies should be compelled to exhibit the results of their management by annual accounting. If

⁸⁹ Cf. Wisconsin Life Insurance Report, 1906, p. 1238.

⁹⁰ *Ibid.*, p. 1269.

details of management are to be left, as they should be, to the discretion of the directors, they should be compelled each year to state the results of their administration and to come under definite liabilities to the policyholders for the amounts to which the latter are entitled. There seems to be a general agreement that the abuses which inevitably flow from the control of large accumulations, said to be held for policyholders but not the subject of any definite obligation, make this necessary. Even those who favor the continuance of deferred dividend contracts recognize the importance of annual accountings, and of the annual credit to each policy of its fair share of the gains.

"But if there is to be an annual accounting there is no reason why there should not be an annual distribution; on the contrary, this is needed to make the remedy complete. . . . The management should be subjected to the test of placing annually its accumulations at the disposal of the policyholders, leaving them to decide whether they shall be withdrawn. If they are to be left with the company, it should be at the option of the policyholder through the purchase of additional insurance. In this manner a suitable freedom is given the policyholder and the company is placed under wholesome, and, it is believed, necessary restriction."⁹¹

In this quotation is reflected the opinion of many who had felt no very strong opposition to deferred dividends on principle, but who deplored the consequences of unaccountability. It is altogether likely that had all companies accounted carefully and in detail for their surplus accumulations there would have been no prohibition of deferred dividends. It is not certain that they would have continued,—they might have been dropped ultimately, because the public had come to understand them. But it was inevitable that in the recent legislation deferred dividends without accounting should be prohibited, for most of the trouble was about the surplus, and most of

⁹¹ Armstrong Report, vol. 7, pp. 324-5.

the surplus arose from deferred dividends. Thus the Equitable reported in December 1904, \$80,750,000 of surplus, of which \$10,200,000 only was for contingencies, and \$6,750,000 was apportioned for 1905 dividends leaving \$63,800,000 as the unapportioned liability for deferred dividends.⁹²

But annual accountability, as the Armstrong committee reasoned, left no logical reason for deferring the payment of dividends. If it was ascertained, as it should be, that a certain sum of money duly belonged to a certain person, why should he not be given the opportunity to dispose of it as he saw fit?⁹³ Policyholders were just as unerringly coming to this conclusion as were legislators. The Frick committee observed:

"When annual dividends are paid the policyholder has an immediate and yearly check upon the operations of his company. He is enabled, and is quite apt to compare his results with those of his acquaintances insured in other companies. Extravagance in management and errors in investments are at once reflected in decreased dividends or impaired surplus.

"On the other hand, the holder of a twenty years' distribution period policy has no knowledge whatever concerning the earnings of his policy until the expiration of the twenty years. He cannot make comparisons, because he does not know the results in his own case. He entertains hopes for nineteen years, and, if disappointed with the realization at the end of twenty years, it is futile for him to protest. The incident is closed.

"These conditions are mentioned for this purpose—to illustrate the *possibility* of the deferred distribution policy

⁹² Frick Report, in *Life Insurance Courant*, July 6, 1905, and p. 986 in Wisconsin Life Insurance Report, 1905.

⁹³ Certain companies, *c. g.*, The Massachusetts Mutual, have encouraged policyholders to leave their dividends with the company upon interest, but subject to demand. The new law in New York provides for this method of application.

leading the society into a generally lax method of handling its business.

"The annual dividend company is held to accountability every year. The deferred dividend company is never held to accountability by the whole body of policyholders; and is so held by its individual policyholders only when their opportunity for action has passed.

"This absence of accountability makes possible the pursuit of rapidity of growth at undue cost, because the effect of that cost is not felt by the policyholder until, as said before, it is too late for his availing protest."⁹⁴

The prohibition of deferred dividends has therefore called forth little open complaint. Few now are interested to defend, fewer still care to take the responsibility of defending, deferred dividends on general grounds. The only attempt to urge a relaxation of their absolute prohibition has been confined to the question of substandard risks, where it is claimed that the system of deferred dividends is peculiarly desirable. The New York Life Insurance Company, which writes most of the substandard business, has been especially vigorous in urging a modification of the dividend law.

When an applicant does not measure up to a satisfactory standard for insurance at usual rates, either because of his physical condition, or family history, or employment, the company may absolutely reject, impose a "fixed extra" premium, "rate up" the life to a nominally higher age, place a lien against the policy, or place the risk in a special dividend class. All except the last device have long been employed to a considerable extent in Great Britain. In this country they have been used to a much slighter extent, though on every ground it is desirable that the system should be extended, since it provides insurance for many who would otherwise be excluded, pre-

⁹⁴ Frick Report, *Life Insurance Courant*, July 6, 1905.

vents doubtful cases from being accepted at standard rates, avoids the unscientific and useless adjustment of requiring a short term endowment, and saves unrecompensed expenditure for the medical examination of unapproved risks. For its careful and appropriate employment of all devices for dealing with sub-standard risks, the New York Life has earned many warm commendations. Thus the examiners⁹⁵ who examined the company in 1905-6 on behalf of the insurance commissioners of Tennessee, Kentucky, Minnesota, Nebraska, and Wisconsin, expressed their admiration for the accuracy and fairness of that company's dealings with underaverage lives. As pointed out in their report, the fundamental principle of the system was the classification of policyholders into three dividend classes, all dividends being deferred except for a relatively small number of good risks on the annual dividend plan. The dividends on the intermediate and lowest classes were naturally lower than in the standard class on account of the lower vitality of members in the former classes. In the third group the system was modified by the employment of "fixed extras" for occupation hazards, "rating up" for permanent impairment, and liens for temporary impairment. The advantage claimed for the plan of making distinct dividend classes the central feature was that it gave to those in a given class exactly the dividends to which, as a group, they were entitled, whereas a rating up is necessarily an estimate and no matter on which side it errs it is a departure from the principle of mutuality. It is not altogether certain that the method of rating up cannot be reduced to an exact science. In fact those companies which employ it extensively, such for instance as the

⁹⁵ Messrs. S. H. Wolfe and W. J. Graham. See their report as published in Wisconsin Life Insurance Report, 1906, pp. 1233-1234.

Australian Mutual Provident, have probably attained a high degree of accuracy in its use. The policy contract for sub-standard business which has recently been authorized by the New York superintendent of insurance provides for rating up. It does not seem clear to an outsider why a large company like the New York Life could not employ the system of distinct dividend classes with annual, just as well as with deferred, dividends. The most satisfactory explanation that has yet been offered is that the company assumed an unknown risk in accepting sub-standard lives at the regular premium, and while this experiment proved successful, the fluctuations in mortality from year to year in sub-standard business would make special annual dividend classes unsafe.⁹⁶ But that the premium is sufficient to yield a surplus even on sub-standard risks has already been demonstrated, so the hazard would not seem to be large. However, in this case those not in immediate touch with the business are not in the best position to judge. If it can be demonstrated that it is impossible to adjust satisfactorily the underaverage business to the present restrictions, it ought not to be difficult to secure the necessary liberty, for no part of the Armstrong legislation was passed in a doctrinaire spirit.

Among the measures desired by the Armstrong committee was one requiring an annual accounting with those policyholders who had taken deferred dividend contracts before their prohibition. It was of course at once recognized that those contracts already executed could not be touched. But it was felt that justice required that the holders of deferred dividends should be entitled to an annual accounting, so that they should not be at the mercy or the whim of the management. Moreover it was seen that the requirement of annual dividends in the

⁹⁶ Hearings on the Armstrong bills, vol. 1, pp. 244ff. Testimony of Actuary Weeks.

future, and the limitation of the amount paid to agents for procuring new business, would necessarily lead companies to compete with one another by good annual dividend showings. This was exactly what was desired, and was the sort of rivalry that was most in the interest of the policyholders. But it was not unlikely that companies would endeavor to swell their annual dividends at the expense of the unprotected deferred dividends, since the latter could no longer be sold. Without any accountability for surplus, directors could divide it in any way they desired.⁹⁷ The committee was only dissuaded from urging a law requiring an annual accounting by the representation of its counsel to the effect that this might also be construed as an interference with existing contracts, inasmuch as the contracts expressly provided that the apportionments should be at the discretion of the directors at the *end* of the distribution period. There is no doubt, however, that the committee, and probably also its counsel, desired such a law, even though they saw the imprudence of enacting it. It is therefore somewhat surprising that many well informed men criticised this important omission in the reform laws. For instance, a special committee of the American Bar Association censured the committee and the legislature for omitting so essential a provision,⁹⁸ yet none should have known better than lawyers the doubtful constitutionality of such an act.

One publicity feature of the New York reforms is, however, apparently having a remarkably good effect.

⁹⁷ In the subsequent Wisconsin investigation it was shown that discrimination might be practiced even with annual accounting. The Northwestern was improving its semi-tontine funds at a lower rate of interest than it allowed on its annual dividends. This the company claimed was done unconsciously, and the discrimination was promptly stopped.

⁹⁸ See *Chronicle*, August 16, 1906.

This is the requirement that annual dividend scales for the different kinds of policies, ages, and dates of issue shall be submitted to the insurance department. In several states, in consequence,⁹⁹ the annual insurance reports now contain premiums and dividends for ages 25, 35, 45, and 55 on ordinary life, twenty payment life, and twenty year endowment policies at various dates of issue. These figures as published are sufficiently complete to furnish, on careful examination by a prospective policyholder or an agent, an accurate indication as to the relative cheapness at the present time of policies in the different companies. It is perhaps unlikely that many prospective purchasers of insurance will take the pains to make a careful comparison as to the net costs, but rival agents may be trusted to do so, and are in fact doing it. In consequence high dividend paying policies are easy to sell without any increased commission. In fact, with lowered commissions in many instances, the companies with the lowest net costs have broken all their previous records in amount of new business written in 1907 and 1908.¹⁰⁰

If the New York reforms had accomplished nothing else than the publication of dividend results, they would have performed a great service for the insuring public, for this sort of publicity not only gives the purchaser a rational basis for choice, but in so doing also compels all companies to seek to prove their excellence by offering good returns, which they can only do by the most prudent management in every particular. That with all the statements that have been required in the past by the various states this essential information should have been

⁹⁹ Massachusetts, Connecticut, New York, Minnesota, and others.

¹⁰⁰ The most conspicuous example is that of the Northwestern Mutual.

neglected is most surprising, since no other information is so conclusive of merit, nor so easily understood. Its publication has been required in Great Britain since 1870, but in this country even those companies which could make the best showing have jealously guarded this information from rival agents. Dividend scales have been printed but circulated only among the company's agents.¹⁰¹

Hitherto, the means of ascertaining the relative cheapness of insurance in the different companies have been very limited. Agents could be persuaded to furnish some information, but only such data, and in such forms, as they thought it to their interest to give. Some companies also published "comparative results", but of course selected for comparison only such policy histories as displayed their own superiority. For any independent and disinterested comparison, an investigator was obliged to depend upon the gain and loss account which since 1896 has been published in the Wisconsin and Minnesota reports. The ratios thus obtainable of dividends to premium receipts, of expenses to income, of actual to expected mortality, of actual to expected interest, and of gains upon lapse and surrender, when taken in the aggregate, usually, though not infallibly, favored the same companies which were actually producing the best dividend results. Notwithstanding which, many of the conclusions which were popularly deduced from such ratios

¹⁰¹ One company with high dividends labels its scale, "For agents only." Another excellent company claims that it "has published tables of current cash dividends for 36 consecutive years." A wide circulation of these tables would have advertised the almost unsurpassed cheapness of its policies, but the company has limited the editions of the tables to the needs of agents; and the actuary recently objected to furnishing public information as to dividends, on the ground that this was a confidential matter. *Milwaukee Sentinel*, April 18, 1906.

were severely and rightly criticised by all experts.¹⁰² The ratios were, when carelessly considered, positively misleading, and, even when studied with discrimination, only approximate, though they furnished far more reasonable criteria than those formerly employed, such as volume of assets, amount of surplus, rapidity of growth, grandeur of office buildings, etc., which were as often points of merit as of demerit.

But dividends furnish an incontrovertible test of merit, for insurance departments attend to the solvency of the legal reserve companies; and although economy and efficiency and integrity of management have not been due to competition, competition has at least produced an almost uniformly high degree of liberality and promptness in the dealings of the companies with their patrons. The purchaser of insurance, therefore, can have only one possible interest, and that is,—“Where can I get my insurance at the lowest cost, since there is little difference in the quality of the commodity?”

It is not to be supposed, now that dividend returns are published, that competition will be narrowed to a few companies and that the others will be forced to retire. The publication, for the last forty years, of “bonuses” in England has had no such effect. What may be expected is that only the poorest companies will be forced out, or onto a non-participating basis, and that the majority will be compelled to introduce such retrenchments and improvements as will enable them to compare favorably with the best.

Moreover, it is not to be expected that it will be possible to determine with accuracy the one best company. To illustrate from the current figures, some companies have an advantage in one kind of policy and not in

¹⁰² Cf. Anderson, *op. cit.*, pp. 718-719.

another; some make good showings at some ages and not at others; some give good returns in the early years of the policy, others in the later years; some maintain constant figures for a long series of years, others change their factors every year; some are steadily raising their dividends, and some must soon lower them; and so on. By legislation and voluntarily, many, but by no means all, of these variations in practice will be reduced to uniformity. But in any event, though the past and the present are an earnest of the future course of a company, the results are so sure to vary over a long period that reasonable purchasers will not be influenced by differences of a few cents. They will be influenced, and properly, by an annual difference in cost as great as appears in the comparison tables on pages 3 and 4. above.

CONCLUSION

1. The provision for the election of directors by mail ballots was a move in the right direction, but the arrangements are still imperfect. The restraints imposed upon directors are wholesome.

2. The publicity requirements are exercising a salutary influence.

3. Investments are better regulated by the recent legislation, not only by the provisions which restrict, but also by those which give greater latitude.

4. The section of the new law prohibiting domestic but not foreign companies from writing both participating and non-participating policies was founded upon justifiable grounds, but should be amended to remove an unfair discrimination against New York companies. The final adoption of standard provisions is the proper solution of the problem of protecting purchasers without hampering sellers of life insurance.

5. The "select and ultimate" valuation provided a fair minimum standard of liability that was in substantial conformity with the methods of American life insurance companies.

6. The limitation upon the cost of new business was necessary, and has not imposed an unreasonable restraint upon underwriting activity. The limitation upon the cost of total business does not appear to be needed, and it works hardship in a few cases.

7. The limitation upon the amount of new business which companies may write has already proved embarrassing to one company, and may before long embarrass others. It seemed to be required by the state of public

opinion in 1906, and for that reason, possibly, was acquiesced in by the companies most interested, but it should soon be repealed or modified.

8. The limitation upon the surplus of companies was unnecessary and dangerous. The danger, but not necessarily the inconvenience, has been practically removed by the recent authorization of the amortization plan of valuing bonds.

9. The requirement of annual dividends for all participating policies was the necessary and legitimate outcome of unsystematic deferred dividend accounting. While such accounting could have been remedied, the arguments in favor of deferred dividends were not sufficiently strong to save them.

The following remarks published by Mr. Edward A. Woods, one of the most successful of the Equitable's agents, in the *Eastern Underwriter*, August 22, 1907, will serve as a fitting conclusion to this survey:—

“There never was a time when life insurance men ought to, and could so easily, secure new business as now. The laws of New York State and most other states deserve a fair and honest trial.

“The New York legislation is not perfect. It has already been revised and will be revised more, but in my judgment, and after an honest trial of conditions, it is the best legislation passed in the history of life insurance, not even excepting the legislation of Elizur Wright, which at that time was as severely criticised as the Armstrong laws are now.”

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